Community Support
SportsFunder
Communities
British Columbia Lottery Corporation
ANNUAL REPORT 2005 - 06
Excitement
Fun
Experiences
Entertainment
PLAY NOW
Win
Nanaimo Marine Rescue
WHEN YOU PLAY Good THINGS HAPPEN
British Columbia Lottery Corporation

TABLE OF CONTENTS

2007-01288/

BOARD AND MANAGEMENT 3

LETTER OF TRANSMITTAL 3

MESSAGE FROM OUR CHAIR AND PRESIDENT 4

ABOUT BCLC 6

STRATEGIC CONTEXT 7

WHERE THE MONEY GOES 8

YEAR IN REVIEW 12

WINNER EXPERIENCES 18

CORPORATE CITIZENSHIP 19

CORPORATE SOCIAL RESPONSIBILITY 20

CORPORATE GOVERNANCE 21

MANAGEMENT DISCUSSION AND ANALYSIS 23

CANADIAN GAMING COMPARISONS 26

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN 28

RISK AND CAPACITY 29

REPORT ON PERFORMANCE 30

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING 34

AUDITORS' REPORT 35

CONSOLIDATED BALANCE SHEET 36

CONSOLIDATED STATEMENT OF INCOME 37

CONSOLIDATED STATEMENT OF AMOUNTS DUE TO GOVERNMENT OF BRITISH COLUMBIA 38

CONSOLIDATED STATEMENT OF CASH FLOWS 39

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 40

Library and Archives Canada Cataloguing in Publication Data

Annual report. – 1986-1989 ; 1989/1990 – Annual.
First issue has title: First annual report.
Report year ends Mar. 31.
ISSN 0837-6859 = Annual report
(British Columbia Lottery Corporation)

1. British Columbia Lottery Corporation – Periodicals.
2. Gambling industry – Government policy – British Columbia – Periodicals.
3. Gambling industry – British Columbia – Periodicals.
4. Lotteries – British Columbia – Periodicals.
I. Title. II. Title: First annual report.

HG6149.3B7B74 353.3'7 C88-080821-7

BOARD MEMBERS

CHAIR

John McLernon *Vancouver*	Appointed December 9, 2005
T. Richard Turner *West Vancouver*	Appointed September 26, 2001 *Resigned December 9, 2005*

VICE-CHAIR

Arthur Willms *Vancouver*	Appointed September 26, 2001

DIRECTORS

John Bell *West Vancouver*	Appointed September 26, 2001
Bruna Giacomazzi *Abbotsford*	Appointed September 26, 2001 *Resigned November 1, 2005*
David Gillespie *Kamloops*	Appointed March 31, 2005
D. Neil McDonnell *North Vancouver*	Appointed April 23, 2002
Tazeem Nathoo *West Vancouver*	Appointed July 26, 2002
Donald Pettit *West Vancouver*	Appointed September 26, 2001
Eric Sorensen *Kelowna*	Appointed December 8, 2005
Kathy Stevenson *Kelowna*	Appointed April 23, 2002

SENIOR EXECUTIVE

PRESIDENT AND CEO

Vic Poleschuk

VICE-PRESIDENTS

Jay Ann Fordy	Human Resources and Organizational Development
Kevin Gass	Corporate Communications and Marketing
Jim Lightbody	Lottery Gaming
Brian Lynch	Casino Gaming
Scott Norman	Information Technology and Chief Information Officer
Doug Penrose	Finance and Corporate Services
Marsha Walden	Bingo Gaming

To the Honourable John Les, Minister of Public Safety and Solicitor General

Dear Minister:

Since 1985, British Columbia Lottery Corporation (BCLC) has offered responsible gaming entertainment to generate net income that supports vital Government programs that benefit British Columbians every day.

Fiscal 2005/06 was another successful year for BCLC, highlighted by accomplishments in both financial and operational performance. The Corporation exceeded key financial targets to deliver total revenues of $2.26 billion, resulting in total net income of $922.7 million. From that net income, $914.4 million was distributed to the Government of British Columbia and $8.3 million to the Government of Canada.

The majority of our financial performance measures were met and in some cases exceeded. However, a number of performance measures, including our player participation, player satisfaction, public support for gaming and BCLC, public recognition for social responsibility and awareness of the beneficiaries of gaming, were not achieved. These are very important measures that BCLC will strive to achieve.

Major risks continue to be competition from other forms of gaming, public acceptance of gaming in British Columbia and obtaining host local government approvals for relocated and improved gaming facilities in their communities.

BCLC's 2005/06 Annual Report was prepared under the Board of Directors' direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of BCLC for the 12 months ended March 31, 2006. All significant decisions, events and identified risks, as of March 31, 2006, have been considered in preparing the report.

The information presented is prepared in accordance with the BC Reporting Principles and represents a comprehensive picture of BCLC's actual performance in relation to the 2005/06 – 2007/08 Service Plan. The measures presented are consistent with BCLC's mission, goals and objectives and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

This report contains estimates and interpretive information that represent the best judgment of management. Any significant limitations in the reliability of data are identified in the report.

On behalf of BCLC's Board of Directors, senior management and employees, it is my privilege to submit the Annual Report for fiscal year ended March 31, 2006.

Respectfully submitted,

John McLernon
Chair, Board of Directors

MESSAGE FROM OUR CHAIR AND PRESIDENT

On behalf of BCLC's Board of Directors, our employees and our business partners, we are pleased to report on another successful year of gaming operations and the benefits generated for the people of British Columbia.

BCLC is in the entertainment business, and consumers today are being offered an ever-increasing range of entertainment choices in an increasingly global marketplace. Within this competitive and complex environment, BCLC finds challenges and opportunities in fulfilling our mission to offer responsible gaming entertainment, generating income for the public good.

As a dynamic, player-focused company specializing in gaming entertainment products and experiences, we analyze trends, move with the changing marketplace and explore technological advances. We are continually developing new, innovative and progressive products and facilities that raise the quality and standards of gaming entertainment experiences in British Columbia.

During fiscal 2005/06, BCLC achieved strong financial performance with sales revenues of $2.26 billion and net income of $922.7 million. We are justly proud of our contributions to the British Columbia economy and of the net income generated for good causes – be it the $556 million generated for Government programs that support vital health, education and social programs or the $147 million dedicated to health care or the $138 million distributed to nearly 6,000 important charitable and community organizations serving their communities in every corner of the province.

John McLernon
Chair, Board of Directors

From an organizational standpoint, a number of key achievements were realized. Our strategic initiative to transform and reinvent the lottery business included the introduction in February of SportsFunder, a suite of lottery games launched to support amateur sport in British Columbia. Net profit from all SportsFunder games goes directly to support the dreams and future of amateur athletes around our province. Over the next six years, SportsFunder is expected to generate an incremental $20 million in direct benefits for amateur sports in British Columbia.

As another initiative toward our goal to rejuvenate lotteries, BCLC introduced Internet purchase on BCLC.com in October 2004. PlayNow, which launched with select Sports Action games, is a way for BCLC to distribute lottery products to adult residents of British Columbia. During fiscal 2005/06, we continued to provide our players with greater convenience in buying their lottery products by adding the popular games Lotto 6/49, Lotto Super 7, Extra and Keno on PlayNow. After our first full year of operation, we were pleased to be providing this distribution channel to some 30,000 registered players.

We continued to pursue our vision to transform casinos in British Columbia by providing fewer, but high-quality properties sized to fit the marketplace. The new Cascades Gateway Casino, Hotel and Convention Centre opened in Langley, while Coquitlam's casino was redesigned as Boulevard Casino. We were pleased to partner with Great Canadian Casinos for the David Foster Foundation charity gala that celebrated the opening of the new show theatre at River Rock Casino Resort in Richmond. The River Rock Theatre is a multi-use venue that offers a variety of entertainment options, such as high-profile entertainers, concerts, dinner theatre, trade shows and special events.

BCLC's support of community-based events once again extended throughout the province. Through our corporate and product sponsorships, we contributed to a variety of celebrations, festivals, business conferences, tournaments

and fundraisers. These included the 2005 Grey Cup Festival and 2006 IIHF World Junior Hockey Championship, as well as a large number of local events such as Canada Day festivities and Chamber of Commerce activities.

Other initiatives strengthened BCLC's commitment to ensure that our fiscal objectives are carefully balanced with our corporate social responsibility. We take both a leadership role and a shared responsibility approach in addressing responsible play practices and the prevention and treatment of problem gambling. While 95% of British Columbia adults who choose gambling entertainment play responsibly, resources must be available for those who experience difficulties.

A new responsible gambling education and problem gambling prevention initiative was introduced at River Rock Casino Resort and at Edgewater Casino in Vancouver. Responsible Play Information Centre booths are staffed by information officers who are trained in prevention, education and counselling. These officers provide customers with education, support and referral to free professional services.

This pilot project is the result of a strategic alliance called the British Columbia Partnership for Responsible Gambling, which involves the Government of British Columbia, BCLC, gaming service providers, the City of Vancouver and City of Richmond. The partnership will be expanded in the next fiscal year to include additional municipalities and service providers.

At BCLC, we are one team striving for excellence. Our employees are the stars of our business and we support them in bringing to life our high-performance values, including our courage to innovate and our focus on the player. We know that success is not achieved in isolation, and we gratefully acknowledge the confidence of our players, business service partners, stakeholders and communities in contributing to our achievements.

Vic Poleschuk
President and CEO

In the fiscal year ahead, we will continue to adapt our business and products to meet the ever-changing marketplace while continuing to live up to our commitments to social responsibility and responsible growth of the gaming entertainment market in British Columbia.

We will continue to take further strides in meeting new challenges and opportunities to ensure the long-term success of BCLC, and look forward to continuing to serve the best interests of all British Columbians in offering responsible gaming entertainment, generating income for the public good.

Above all, British Columbians will have confidence in knowing that, "When you play, good things happen."

BENEFITS FOR BRITISH COLUMBIANS

SINCE 1985, BCLC HAS GENERATED:

$8 BILLION IN NET INCOME DISTRIBUTED TO THE GOVERNMENT OF BRITISH COLUMBIA

$8.9 BILLION IN PRIZES WON BY LOTTERY AND BINGO PLAYERS

$3 BILLION IN COMMISSIONS AND SERVICE FEES EARNED BY
LOTTERY RETAILERS AND CASINO AND BINGO SERVICE PROVIDER COMPANIES

Pursuant to amendments to the *Criminal Code* of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984, and is continued under the *Gaming Control Act* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the *Criminal Code*, but to ensure that the objective of revenue generation is carefully balanced with the objectives of gaming integrity and social responsibility.

As an agent of the Crown, the Province has designated the Corporation as the authority to conduct and manage lottery schemes within British Columbia.

Under current provincial gaming legislation, BCLC has these responsibilities:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces of Canada.
- Conduct, manage and operate casino gaming.
- Conduct, manage and operate electronic and commercial bingo gaming.

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General. A Government appointed Board of Directors guides BCLC in fulfilling its mandate.

The Gaming Policy and Enforcement Branch of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry and investigates allegations of wrongdoing.

BCLC operates within the strict statutory authority and regulatory guidelines of the *Criminal Code* and *Gaming Control Act*.

BCLC has two corporate offices, as well as gaming operations and retail locations throughout British Columbia. The head office is located in Kamloops, the centre for finance, administration and information technology. Sales and marketing are based in Richmond.

BCLC officially opened April 1, 1985. The Corporation operated within a limited, traditional lottery market until a new gaming policy introduced in fiscal 1997/98 by the Government of British Columbia created opportunities for growth. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in fiscal 1997/98, and assumed responsibility for all casino gaming in fiscal 1998/99.

Further changes by Government resulted in BCLC assuming greater management responsibilities for commercial bingo halls in fiscal 2001/02. In fiscal 2004/05, the Corporation introduced a model for community gaming centres. These entertainment centres are designed to better service local markets with a wider variety of bingo, lottery and slot machine gaming options.

Economic benefits

In fiscal 2005/06, BCLC made significant contributions to the Government of British Columbia, players and communities throughout the province. These benefits included $641.5 million in prizes won by lottery and bingo players, $483.7 million in commissions and service fees paid to lottery, casino and bingo business service partners, and $200 million in the purchase of equipment, goods and services.

Within the gaming industry there is an investment of an estimated $1 billion in property assets pursuant to the service provider contracts established and managed by BCLC. This is primarily service provider investment in new, higher entertainment gaming facilities.

BCLC distributed $914.4 million in net income to the Government of British Columbia, which uses these funds to support a variety of health care, education, social, charitable and municipal programs.

Business partnerships

The vast majority of product sales and operational services are contracted through private sector business service partners. Lottery, casino and bingo gaming networks include 4,390 lottery retailers, 18 casinos in operation, 24 commercial bingo halls, five community gaming centres and one racetrack gaming centre.

These private sector business service partners play a critical role in BCLC's success by delivering high-quality entertainment and exceptional customer service.

B.C. Lottotech

BCLC's consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC. There are no operational revenues or expenses.

Employment

Gaming has created significant direct and indirect employment opportunities in British Columbia.

During fiscal 2005/06, BCLC had a workforce of about 600 people. This included employees in the two offices and in field locations to support lottery, casino and bingo operations throughout the province.

However, the gaming industry is responsible for the direct employment of an estimated 10,000 people and indirectly for more than 5,000 jobs.

Our Vision

To be a player-focused, publicly respected, performance-driven Corporation.

Our Mission

To offer responsible gaming entertainment, generating income for the public good.

Our Goals

- To generate net income for the public good.
- To be a respected organization that has a broad base of public support.
- To have a workforce passionately driving the success of our business.

Our Values

Integrity

The games that we offer, and the ways we conduct business, are fair, honest and trustworthy.

WE:

- conduct, manage and operate commercial gaming in accordance with the *Criminal Code of Canada* and *Gaming Control Act.*
- operate on sound business principles and practices.
- measure and publicly report on our performance.
- adhere to the *Freedom of Information and Protection of Privacy Act.*
- pay the right prizes to rightful winners and share the good news about major winners.
- let British Columbians know about the beneficiaries of gaming and "where the money goes."
- enhance public trust in the products and services bearing the BCLC brand.

Social Responsibility

Everything we do is done with consideration of its impact on the people and communities of British Columbia.

WE:

- consult with communities on the types and levels of gaming that are right for them.
- promote responsible play practices and the safe and healthy use of our products.
- actively support Government's efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.
- actively support Government's efforts to ensure than an appropriate problem gambling risk management strategy and programs are in place.
- participate in the British Columbia Partnership for Responsible Gambling.
- adhere to Government's Responsible Gambling Standards for the BC Gambling Industry.
- distribute problem gambling information to help adults make informed choices about their participation in gaming entertainment.
- offer a self-exclusion program.
- work with service providers to deliver Appropriate Response Training to gaming industry employees.
- generate net income for Government, from which $4.5 million is contributed annually to Government's Problem Gambling Program for research, treatment and prevention programs.

Respect

Our workplace fosters openness, mutual respect and individual development.

WE:

- strive to be a great place to work.
- promote a fair, open, respectful and progressive workplace.
- support an innovative, high-performance culture.
- encourage employee development through continuous learning and professional growth.
- promote recognition through formal and informal programs.
- provide competitive compensation practices.
- work to attract and retain talented leaders and experts.

WHERE THE MONEY GOES

BCLC offers great gaming entertainment experiences and the chance to win prizes. The net income generated through gaming is distributed to the Government of British Columbia, which returns this money to all British Columbians through programs for the public good.

In fiscal 2005/06, BCLC generated $2.26 billion in gaming revenue. First we pay prizes to our lottery and bingo winners and commissions and service fees to our private sector lottery retailers and casino and bingo service providers.

Then we pay for our operating expenses and lottery ticket printing and bingo paper, and we remit the federal Goods and Services Tax.

The money remaining forms our net income, which totalled $922.7 million. The Government of Canada receives a portion under a long-standing agreement with the provinces on the withdrawal of the federal government from lotteries. The balance is distributed to the Government of British Columbia.

Financial Benefits

Total revenues	$ 2.26 billion
• Prizes paid to lottery and bingo winners	$ 641.5 million
• Commissions and service fees paid to lottery retailers and casino and bingo service provider companies	$ 483.7 million
• Operating expenses	$ 157.9 million
• Ticket printing and bingo paper	$ 20.6 million
• GST	$ 32.9 million
• Special policing costs	$ 1.4 million
Net income	$ 922.7 million

WHERE DID THE $922.7 MILLION GO?

Net income	$ 922.7 million
Government of Canada	**$ 8.3 million**
Government of British Columbia	**$ 914.4 million**
• Consolidated Revenue	$ 556.4 million
• Health Special Account	$ 147.3 million
• Charitable and community organizations	$ 137.7 million
• Host local governments	$ 65.0 million
• Horse racing purse enhancements	$ 4.6 million
• Development Assistance Compensation	$ 3.4 million

Government funds problem gambling programs from Consolidated Revenue. In fiscal 2005/06, expenditures on problem gambling programs totalled $4.5 million.

Health Care and Education

Government directs the largest portion of BCLC net income to consolidated revenue and a significant portion to the Health Special Account.

In fiscal 2005/06, $556.4 million went to consolidated revenue to support Government programs in all areas, primarily health care and education.

The Health Special Account is administered by the Ministry of Health. This account received $147.3 million for the administration, operation and delivery of health care, health research and promotion, and health education services.

Serving Communities

The benefits of BCLC net income reach nearly 6,000 community and charitable organizations around British Columbia through Government gaming grants that help these groups carry out their valuable services in their communities.

In fiscal 2005/06, Government directed $137.7 million of BCLC net income to Direct Access and Bingo Hall Affiliation gaming grants.

Organizations apply to the Gaming Policy and Enforcement Branch (GPEB), which manages the distribution of these grants.

Government gaming grants have been used by organizations for a variety of purposes. For example:

- On Vancouver Island, the Nanaimo Marine Rescue Society has a Ready Room and boathouse so they're better equipped to respond to emergencies from Parksville to Ladysmith.
- Campbell River Children's Choir provides talented local youth with professional instruction, rehearsal space and the chance to sing around the world.
- The Burnaby-based Pacific Assistance Dogs Society raises and trains service, hearing and facility therapy dogs to assist people who face daily challenges. Through this organization, special relationships are formed that allow British Columbians to enjoy independent lifestyles.
- In Delta, the Orphaned Wildlife Rehabilitation Society provides treatment, shelter and rehabilitation for more than 200 injured and orphaned birds of prey each year.

Direct Access

Direct Access gaming grants provide funding to eligible non-profit organizations for direct delivery of approved programs in one of five sectors: Arts, culture and sport; the environment; human and social services; public safety; and Parent Advisory Councils and District Parent Advisory Councils.

Funding to a maximum of $100,000 annually may be approved for any combination of program costs and minor capital project costs. For provincewide programs, funding to a maximum of $250,000 annually may be approved.

Bingo Affiliation

BCLC has the responsibility to conduct, manage and operate commercial bingo halls. Many of these halls are self-managed by bingo associations comprising member charities. For others, BCLC contracts with private sector service providers for day-to-day operational services.

For Bingo Affiliation gaming grants, GPEB determines affiliations with bingo halls for eligible non-profit community organizations.

Organizations receive a gaming grant in return for volunteer activities at the hall and in the community. Certificates of affiliation are generally issued for a three-year period and funding may vary from year to year. New affiliations are granted when there are openings.

Each commercial bingo hall is represented by an association consisting of all organizations affiliated with that hall.

Government Gaming Grants to Community and Charitable Organizations

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	Direct Access		Bingo Affiliation		Total	
Category of Applicants	No. of Grants Paid	$	No. of Grants Paid	$	No. of Grants Paid	Net Proceeds
Arts, Culture and Sports	1272	$ 29,683,594	535	$ 14,527,017	1807	$ 44,210,611
Bingo Associations	–	–	31	$ 378,350	31	$ 378,350
Environment	77	$ 2,117,981	22	$ 584,890	99	$ 2,702,871
Human and Social Services	1080	$ 32,348,515	1088	$ 35,656,624	2168	$ 68,005,139
Major Capital Projects	49	$ 2,789,589	–	–	49	$ 2,789,589
PAC and District PAC	1561	$ 12,116,880	196	$ 1,809,329	1757	$ 13,926,209
Public Safety	129	$ 4,016,245	43	$ 1,087,513	172	$ 5,103,758
Total	**4168**	**$ 83,072,804**	**1915**	**$ 54,043,723**	**6083**	**$137,116,527**

Distribution of Gaming Revenue by Region

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

	Direct Access		Bingo Affiliation		Total	
Region	No. of Organizations	Net Proceeds	No. of Organizations	Net Proceeds	No. of Organizations	Net Proceeds
Lower Mainland	2206	$ 52,299,788	494	$ 21,326,553	2700	$ 73,626,341
Northern Region	391	$ 4,716,596	323	$ 8,384,816	714	$ 13,101,412
Southern Interior	756	$ 10,869,500	447	$ 10,760,972	1203	$ 21,630,472
Vancouver Island	795	$ 15,186,920	647	$ 13,571,382	1442	$ 28,758,302
Total	**4148**	**$ 83,072,804**	**1911**	**$ 54,043,723**	**6059**	**$137,116,527**

Source: Gaming Policy and Enforcement Branch

Host Local Governments

In communities where a casino or community gaming centre is located, the host local government receives a share of the net income generated by that facility. During fiscal 2005/06, there were 20 communities that received $65 million in host local government payments.

These governments may choose to spend the funds for any purpose to benefit their communities. For example, Prince George has used its share for tax reduction, an arena upgrade, a mountain pine beetle initiative, downtown street lighting and a parking lot replacement at an athletics park.

In Coquitlam, the host local government share was directed to infrastructure projects, such as roads, bridges and recreational facilities. In addition, locally based organizations benefited from the city's Community Capital Fund.

Under a Memorandum of Agreement between Government and the Union of British Columbia Municipalities, the host local government where a community casino is located receives a 10% share of the net income generated from both slot machines and table games. In the case of a community gaming centre or racetrack gaming centre, the

host local government receives a 10% share of the net income generated from slot machines.

Host local governments where destination casinos are located receive a one-sixth share of the net income on the first 300 slot machines and 10% on any additional machines, and a one-sixth share of the net income from table games.

Responsible Play

Government also directs a portion of BCLC net income to the Problem Gambling Program managed by GPEB. Payments in fiscal 2005/06 totalled $4.5 million.

Horse Racing

As part of its commitment to stabilize and rejuvenate the horse racing industry in British Columbia, Government distributes gaming net income to enhance purses. In fiscal 2005/06, the industry received $4.6 million, which was divided equally between the thoroughbred and standardbred sectors for purse enhancements.

Through our corporate sponsorship program, BCLC also provided support to horse racing in British Columbia by participating in events at Hastings Racecourse, Princeton Racing Days, Vernon Race Days and the Kamloops Interior Horse Racing Festival.

Host Local Government Share of Casino Revenue

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Local Government	Casino	2005/06 Total	2004/05 Total
Burnaby	Gateway Casinos (c)	8,687,067	7,550,107
Coquitlam	Great Canadian Casinos (c)	7,308,677	6,839,714
Kamloops	Lake City Casinos (c)	1,904,830	1,899,620
Kelowna	Lake City Casinos (c)	2,665,866	2,435,838
Ktunaxa/Kinbasket Tribal Council Society	Casino of the Rockies (d)	1,312,956	1,111,632
Langley	Cascades Casino (c)	5,001,607	–
Nanaimo	Great Canadian Casinos (c)	2,953,687	2,734,583
New Westminster	Gateway Casino Royal Towers (c)	726,960	1,573,707
New Westminster	Royal City Star Casino (d)	2,437,736	3,156,163
New Westminster Total		$ 3,164,696	$ 4,729,870
Penticton	Lake City Casinos (d)	2,359,976	2,166,128
Prince George	Treasure Cove (c)	2,422,558	1,931,685
Quesnel	Billy Barker Casino (c)	604,553	599,944
Richmond	Great Canadian Casinos (c)	11,194,669	9,891,217
Surrey	Fraser Downs Casino (c)	2,977,272	2,524,492
Vancouver	Edgewater Casino (c)	3,799,992	549,994
Vancouver	Gateway Casino Mandarin Centre (c)	45,107	778,335
Vancouver	Grand Casino (c)	–	587,491
Vancouver	Great Canadian Casinos Holiday Inn (c)	1,145,799	1,248,364
Vancouver	Great Canadian Casinos Renaissance (c)		60,567
Vancouver Total		$ 4,990,898	$ 3,224,751
Vernon	Lake City Casinos (c)	1,515,276	1,513,781
View Royal	Great Canadian Casinos (c)	4,403,405	3,858,611
Wells	Jack o' Clubs (d)	5,782	7,310
TOTAL		**$ 63,473,775**	**$ 53,019,283**

c = community casinos (10% share) d = destination casino (one-sixth share)

Host Local Government Share of Community Gaming Centre Revenue

FOR THE FISCAL YEAR ENDED MARCH 31, 2006

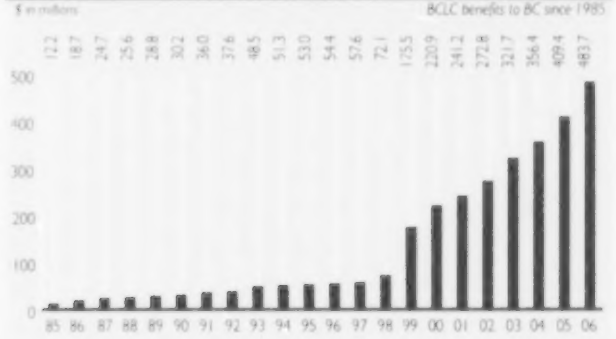
Local Government	Community Gaming Centre	2005/06 Total	2004/05 Total
Campbell River	Playtime Gaming	37,035	–
Dawson Creek	Bear Mountain Bingo Hall	346,773	107,344
Kamloops	Chances Kamloops	197,326	12,275
Kelowna	Chances Kelowna	511,249	24,829
Williams Lake	Chances Signal Point	447,536	155,161
TOTAL		**$ 1,539,920**	**$ 299,609**

BCLC recorded a number of achievements in our lottery, casino and bingo business units in fiscal 2005/06. As part of our goal to rejuvenate lotteries, we launched two new games, introduced more products online at PlayNow on BCLC.com and introduced SportsFunder, which benefits amateur sports in British Columbia.

We continued to realize our vision to transform British Columbia casinos into full-scale, multi-dimensional entertainment showplaces. River Rock Casino Resort's show theatre opened in Richmond, while Cascades Gateway Casino, Hotel and Convention Centre, which includes an entertainment theatre, opened in Langley. Coquitlam's casino was redesigned as Boulevard Casino with a new state-of-the-art show theatre currently under construction.

The bingo experience in British Columbia continued to evolve with the transformation of bingo halls into community gaming centres that offer enhanced entertainment options, upgraded facilities and improved amenities. At our Chances-branded gaming entertainment centres, players can enjoy fun and entertainment in a casual and inviting social setting.

Commissions and service fees paid to Lottery Retailers, and Casino and Bingo Service Provider Companies



BCLC's private sector business service partners are important to our success. These partnerships represent significant economic benefits generated through gaming in British Columbia.

In fiscal 2005/06, our business service providers received a total of $483.7 million in commissions and service fees for providing lottery product sales at retail and day-to-day facility and operational services at casinos and bingo halls. In addition, we paid our suppliers about $200 million for the purchase of equipment, goods and services.

Lottery products are sold by contractual agreement with about 3,050 retail locations, ranging from small family operations to large corporate chains, and 1,340 hospitality locations, mainly bars and pubs. Retailers receive an industry-standard commission on every lottery product sold and have opportunities to increase their earnings through incentive programs.

Casinos are operated through contracts with companies that provide services in compliance with BCLC's responsibilities to conduct and manage gaming. Casino service providers receive fees based on a percentage of net win after prizes on slot machines and table games. An additional percentage is available for facility development.

Bingo halls and community gaming centres are operated through contracts with companies that act as service providers, which may include charitable organizations. These companies are paid a service fee based on a weekly net of prizes for bingo products. An additional percentage is available for facility development.

Community gaming centres with slot machines receive a percentage of net win after prizes.

PLAYER PROFILE

Through an independent research company, BCLC surveys British Columbians about their attitudes toward gaming and their enjoyment of the games. A total of 3,000 adult respondents are randomly selected and interviewed throughout the year.

Information is also collected about adults' participation in lottery, casino and bingo gaming during the past year.

The characteristics of our lottery, casino and bingo players can be compared against the key general characteristics of adult British Columbians, as follows:

- 52% are female and 48% are male
- 27% are 19-34 years old
- 73% are 35 years old or older
- 71% have some post-secondary education
- 43% are from households with an annual income of $60,000 or greater

In the past year, 8 out of 10 British Columbians participated in at least one form of gaming offered by BCLC.

- 8 out of 10 British Columbians played a lottery product
- 3 out of 10 visited a British Columbia casino
- 6% visited a British Columbia commercial bingo hall

Source: Gaming Watch fiscal year 2005/06

LOTTERY BUSINESS UNIT

As a player-focused organization, BCLC is committed to providing fun and entertaining lottery games that appeal to our customers.

After more than 30 years as part of the retail marketplace, many lottery products have reached their maturity level. BCLC has undertaken a strategic initiative to transform and reinvent lotteries. We are changing the way people play our lottery games and adding more entertainment value for players.

During fiscal 2005/06, we re-evaluated our portfolio of lottery games and assessed sales performance and game popularity.

In February, we introduced SportsFunder, a suite of lottery products that celebrates the Vancouver 2010 Winter Olympics and supports amateur sport in British Columbia, and PayDay, a new lotto game.

PayDay, a British Columbia-only game, is drawn weekly and offers chances to win great prizes. For a $2 play, there are four prize categories in which to win, including a chance to win a top prize of $2,000 every two weeks for 20 years.

In October 2004, we successfully launched our PlayNow website on BCLC.com with Sports Action games. Since then, we have been making more of our most popular products available online. In July, we added Lotto 6/49, Lotto Super 7 and Extra, followed by Keno in October. Interactives were introduced in February, bringing the excitement of instant win-style games to PlayNow. The initial three Interactives, part of the SportsFunder suite of lottery games, provide players with the opportunity to win up to $2,010 on Sea to Sky and $20,100 on Road to Vancouver and Going for Gold.

Since the launch of PlayNow, more than 30,000 lottery players have registered for an online account.

Games that have reached the end of their product life can either be renewed or discontinued. Daily 3 and Chaser were both discontinued in February.

Earlier in the fiscal year, British Columbians caught "lotto fever" when the nationwide Lotto 6/49 jackpot was estimated at an unprecedented $40 million for the October 26 draw.

People across the province – and across the country – lined up at retail locations to buy their ticket and a chance to dream. Sales in British Columbia reached more than $14 million and the jackpot, won by a group in Alberta, was paid out at an amazing $54.3 million.

LOTTERY SPORTSFUNDER

February 2, 2006, marked an historic day for BCLC. Together with our new partner, the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC), we unveiled SportsFunder, a new suite of lottery games that will produce an estimated $20 million over the next six years for amateur sport in British Columbia.

Amateur sports are an important part of many people's lives and SportsFunder games reflect our commitment to strengthening British Columbia communities. Funds generated through the sale of SportsFunder-branded products are targeted at four areas administered by Government through the Ministry of Tourism, Sport and the Arts and the Ministry of Public Safety and Solicitor General:

- Sport BC's KidSport™ program providing sport registration grants to financially disadvantaged children
- Game Plan/Team BC, providing support for high-performance British Columbia athletes
- financial assistance for coaching development
- travel assistance for British Columbia athletes to attend sporting competitions

Kamloops Blackjacks ball hockey team accepted the first $2010 SportsFunder 50/50 Retailer Award.

Dignitaries helped launch the SportsFunder suite of lottery games. From left, Jim Lightbody, BCLC Vice-President Lottery Gaming; Daniel Igali, Olympian; Honourable Olga Ilich, Minister of Tourism, Sport and the Arts; and John Furlong, VANOC CEO.

BCLC employees parade to the SportsFunder launch.

SportsFunder games are available wherever lottery games are sold in British Columbia and include an Instant game, a Pull Tab ticket and a provincewide 50/50 game with draws every 30 minutes. Players can play online, too, with a selection of Interactives, including Road to Vancouver, Going for Gold and Sea to Sky.

In recent years, casinos in British Columbia have been undergoing a transformation. Many facilities that once had only basic amenities are now exciting showplaces offering top-notch gaming, dining and entertainment experiences.

Through the efforts of BCLC and the valued partnerships with our business service providers, fiscal 2005/06 saw the openings of Cascades Casino, Hotel and Convention Centre in Langley, Fraser Downs Racetrack and Casino in Surrey, and a new hotel and show theatre at River Rock Casino Resort in Richmond. Coquitlam Casino was redesigned as the attractive, French-themed Boulevard Casino.

To celebrate the opening of River Rock Casino Resort's show theatre in September, we were pleased to partner with Great Canadian Casinos for a gala fundraiser for the David Foster Foundation. Proceeds from the charity event went directly to the Foundation, which helps families with children requiring organ transplants.

Show theatres at both the River Rock and Cascades casinos have hosted a number of well-known entertainers, including Paul Anka, Tom Cochrane, James Brown and the Village People.

In partnership with River Rock Casino Resort, we presented the inaugural B.C. Poker Championship in November. With four days of play and a total prize pool of $2 million, the championship was the biggest poker tournament in Canadian history.

The event consisted of three Texas Hold'Em events – Pot Limit, Limit and No Limit. Poker players tested their skills and spectators had an opportunity to be entertained by tournament play.

Canada's first ever Women's Poker Classic, a three-day tournament, was hosted at Cascades Casino in February. The Limit and No Limit Texas Hold'Em event attracted 500 players who competed for a total prize pool of $112,000.

Cascades Casino donated $50 for every registered participant to the Canadian Breast Cancer Foundation. Treasure Cove Casino & Hotel in Prince George contributed an additional $5,000, resulting in a total donation of $30,000 toward breast cancer research in British Columbia.

At casinos around British Columbia, we are providing players with industry leading gaming floors with innovative and exciting slot machines and table games, including the Mystery Progressive Jackpot machines with a top prize starting at $100,000.

To enhance the benefits of the BC Gold Player Card membership card, we introduced a new points-for-play loyalty program. Members accumulate redeemable points while they play. Changes to the membership card were made in response to player feedback expressing interest in a points-based program.

James Hawkins of Salt Spring Island earned the title of Champion at the inaugural B.C. Poker Championship at River Rock Casino Resort. Brian Lynch, right, BCLC Vice-President Casino Gaming, and Darryl McCullough, Senior Manager, Great Canadian Gaming Inc., present the $382,000 top prize.

Ravind Chand won the $145,520 jackpot on the Enchanted Unicorn slot machine at Boulevard Casino.

Clarissa Hannem of Esquimalt took top tournament honours to become Canada's first Women's Poker Classic champion. Brian Lynch, BCLC Vice-President Casino Gaming, and Emily Cushing, General Manager, Cascades Casino, present the $22,680 top prize.

Casino	Service Provider	City	Slot Machine Revenue	Number of Slot Machines at March 31	Table Game Revenue	Number of Tables at March 31	Combined Casino Revenue Fiscal 2005/06	Combined Casino Revenue Fiscal 2004/05
COMMUNITY CASINOS								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 9,565,958	140	$ 356,847	5	$ 9,922,805	$ 9,752,954
Cascades Casino	Gateway Langley Holdings Ltd.	Langley	66,226,405	530	22,743,596	36	88,970,001	–
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	37,019,652	600	36,124,959	49	73,144,611	10,616,212
Fraser Downs Racetrack and Casino	Orangeville Raceway Ltd.	Surrey	46,821,283	405	–	–	46,821,283	38,900,965
Gateway Casino Burnaby	Gateway Casinos Limited Partnership	Burnaby	110,574,591	679	41,218,387	34	151,792,978	132,275,957
Gateway Casino Mandarin Centre	Gateway Casinos Inc.	Vancouver	–	–	979,250	–	979,250	16,157,506
Gateway Casino Royal Towers	Gateway Casinos Inc.	New Westminster	7,308,994	–	6,234,972	–	13,543,966	28,629,046
Grand Casino	Grand Casino Equipment & Management Ltd.	Vancouver	–	–	–	–	–	12,141,494
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	89,119,313	950	40,186,855	70	129,306,168	119,456,554
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	45,397,596	380	4,432,126	12	49,829,722	46,110,602
Great Canadian Casinos Renaissance	Great Canadian Casinos Inc.	Vancouver	–	–	–	–	–	1,240,557
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	–	–	24,095,629	38	24,095,629	26,294,954
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	View Royal	64,617,676	425	10,061,631	26	74,679,307	65,781,615
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	100,416,592	918	114,762,852	110	215,179,444	188,097,549
Lake City Casino Kamloops	Lake City Casinos Limited Partnership	Kamloops	29,670,382	300	2,422,683	8	32,093,065	31,465,767
Lake City Casino Kelowna	Lake City Casinos Limited Partnership	Kelowna	40,501,116	342	4,856,004	11	45,357,120	40,601,197
Lake City Casino Vernon	Lake City Casinos Limited Partnership	Vernon	23,908,452	210	1,525,786	8	25,434,238	24,909,138
Treasure Cove Casino	Prince George Casino Supply Ltd.	Prince George	38,247,659	400	2,429,462	10	40,677,121	32,154,957
			$709,395,669	6,279	$312,431,039	417	$1,021,826,708	$824,587,024
DESTINATION CASINOS								
Casino of the Rockies	Lake City Casinos Investments Ltd.	Cranbrook	11,747,137	225	1,037,861	9	12,784,998	11,771,355
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells	56,696	80	$ –	–	56,696	70,828
Lake City Casino Penticton	Lake City Casinos Limited Partnership	Penticton	21,984,308	224	1,542,408	10	23,526,716	21,434,225
Royal City Star Casino	Star of Fortune Gaming Management (BC) Corp.	New Westminster	19,879,683	341	7,271,010	18	27,150,693	35,016,477
			$ 53,667,824	870	$ 9,851,279	37	$ 63,519,103	$ 68,292,885
			$763,063,493	7,149	$322,282,318	454	$ 1,085,345,811	$ 892,879,909

Notes:

Mandarin Casino in Vancouver closed April 30.
Royal Towers Casino in New Westminster was relocated as Cascades Casino in Langley and opened May 5.
Jack o' Clubs seasonal casino in Wells opened June 30 and closed September 5.
Coquitlam Casino was redeveloped as Boulevard Casino November 17.
Royal Towers Casino closed November 30.

BINGO BUSINESS UNIT

Bingo has been a mainstay in the British Columbia gaming industry for many decades, both in its traditional paper format and in electronic versions. However, in recent years the popularity of bingo has declined across North America. The number of player visits to bingo halls has been diminishing mainly due to competition in the entertainment marketplace and, in some cases, because of poor public perception of bingo facilities.

BCLC has a long-term strategic objective to revitalize bingo, which includes the introduction of a community-based gaming centre model, subject to the approval of host local communities. Our goal is to create higher quality, market-sized facilities through relocations and upgrades, maintaining bingo as the marquee game while adding a variety of entertainment options.

These options may include off-track horse race betting, lottery products, slot machines, live entertainment and improved hospitality services. The number of slot machines is determined by population, demographics and market assessment and ranges from 25 to 125.

Since the introduction of the community gaming centre model, facilities with casual and inviting social settings have opened at Chances Gaming Entertainment in Kelowna, Chances Gaming Entertainment in Kamloops, and Chances Signal Point Gaming in Williams Lake. Our Chances-branded entertainment facilities share the message that "fun is good."

Two temporary centres are operating in Dawson Creek and Campbell River, with permanent facilities expected to open within the next fiscal year.

By the end of fiscal 2005/06, host local government approvals had been reached for new community gaming centres in Courtenay, Duncan, Fort St. John, Fort Nelson, Port Alberni, Prince Rupert and Vernon.

Host local governments receive 10% of the net gaming revenue from slot machines. These funds have been used to support community charity and service projects, arts and culture, and more.

For players, the annual B.C. Bingo Championships in September was one of the highlights of the fiscal year. Participating bingo halls across the province held qualifying games for the opportunity to play in the weekend event in Burnaby.

Seventy-five finalists were invited to the championships to compete for cash prizes and the chance to win a new car. The final day of play included cash bingo games, variety games and the grand prize bingo game.

As another way to enhance the bingo experience for current and future players, we hosted new game show pilots at select facilities. Interactive games and contests proved their appeal to a broad range of players.

In October, we hosted our bingo service providers at the Bingo Industry Forum. Over two days, we reviewed past events, provided progress updates and focused on opportunities to improve performance.

At the B.C. Bingo Championships, players were treated to accommodations, spending money and a variety of fun activities, including a Hawaiian-themed gala dinner and Breakfast of Champions.

Community gaming centres offer fun and entertaining social settings and great gaming options.

Helen Whitehead, who plays at Harbour City Bingo Hall in Nanaimo, won the grand prize of a KIA Sportage.

B.C.L.C. BINGO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2006

Bingo Hall	Service Provider	City	Number of Slot Machines	Slot Sales Fiscal 2005/06	Slot Sales Fiscal 2004/05	Number of Bingo Seats	Bingo Sales Fiscal 2005/06	Total Bingo Revenue Fiscal 2005/06	Total Bingo Revenue Fiscal 2004/05
COMMERCIAL BINGO HALLS AND COMMUNITY GAMING CENTRES									
Abbotsford Bingo	Abbotsford Bingo Association	Abbotsford				604	$ 6,244,000	$ 6,244,000	$ 8,149,000
Bear Mountain Bingo Hall	0542603 BC Ltd. (Great Canadian)	Dawson Creek	80	$5,637,000	$ 1,777,000	176	1,197,000	6,834,000	3,143,000
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria				200	4,541,000	4,541,000	4,002,000
Bistro Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver					14,000	14,000	–
Boardwalk Gaming Centre – Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby				440	7,590,000	7,590,000	7,199,000
Boardwalk Gaming Centre – Mission	427967 BC Ltd. (DBA Bingo Country)	Mission				210	3,211,000	3,211,000	841,000
Chances Gaming Entertainment – Kamloops	Enterprise Entertainment Ltd.	Kamloops	50	3,203,000	196,000	645	11,043,000	14,246,000	12,087,000
Chances Gaming Entertainment – Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	75	8,306,000	397,000	752	11,566,000	19,872,000	13,383,000
Chances Signal Point Gaming	Lucky's Ventures Ltd.	Williams Lake	95	7,260,000	2,423,000	383	3,210,000	10,470,000	6,004,000
Chilliwack Bingo	Chilliwack Bingo Association	Sardis				484	12,122,000	12,122,000	12,595,000
Dob City	Alberni Valley Bingo Association	Port Alberni				336	3,198,000	3,198,000	3,432,000
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon				525	5,494,000	5,494,000	5,644,000
Good Time Bingo Hall	Good Time Bingo Hall Inc.	Prince George				655	14,982,000	14,982,000	14,856,000
Haney Bingo Plex	Ridge Meadows Bingo Operators Society	Maple Ridge				500	9,194,000	9,194,000	8,543,000
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo				500	5,439,000	5,439,000	5,182,000
Inkspot Bingo	Duncan Dabber Bingo Society	Duncan				625	4,707,000	4,707,000	4,549,000
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria				255	1,053,000	1,053,000	1,515,000
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley				717	7,204,000	7,204,000	9,025,000
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace				300	4,699,000	4,699,000	5,380,000
Newton Bingo Country	427967 BC Ltd. (DBA Bingo Country)	Surrey				680	15,185,000	15,185,000	15,555,000
Nordley's Bingo Hall	Bute Street Bingo Association	Port Alberni					–	–	233,000
North Star Bingo Hall	Astel Canada Holdings Ltd.	Fort Nelson				155	137,000	137,000	962,000
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton				420	4,481,000	4,481,000	4,515,000
Planet Bingo	Mount Pleasant Starship Community Charitable Association	Vancouver				800	17,182,000	17,182,000	17,445,000
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo				460	6,225,000	6,225,000	6,767,000
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria				590	4,211,000	4,211,000	4,442,000
Playtime Gaming Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	55	706,000		310	6,284,000	6,990,000	6,469,000
Prince Rupert Bingo	Prince Rupert Bingo Association	Prince Rupert				240	1,526,000	1,526,000	2,074,000
Quesnel Bingo Hall (2 Rivers)	Astel Canada Holdings Ltd.	Quesnel				182	142,000	142,000	827,000
Rainbow Bingo Hall	243045 Alberta Ltd.	Fort St. John				310	3,431,000	3,431,000	3,517,000
River City Bingo	River City Bingo Association	Powell River				250	927,000	927,000	945,000
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook				400	2,088,000	2,088,000	2,270,000
Valley Entertainment Palace	Playtime Community Gaming Centres Inc.	Courtenay				312	3,405,000	3,405,000	3,623,000
			355	**25,112,000**	**4,793,000**	**13,416**	**181,932,000**	**207,044,000**	**195,173,000**
Independent bingo hall, SuperStar Gold Bingo and Big Link sales							**670,000**	**670,000**	**998,000**
Paper bingo distribution revenue							**287,000**	**287,000**	**286,000**
							$182,889,000	**$208,001,000**	**$196,457,000**

Notes: As of March 31, 2006

Commercial halls offering handheld bingo	21	Commercial halls offering Starship Bingo	18
Commercial halls offering paper bingo	29	Commercial halls offering Personal Play	23
Commercial halls offering Big Link	29	Commercial halls offering Gecko	6
Commercial halls offering BETS	9		

New community gaming Centres

Playtime - Campbell River February 4

Since 1985, BCLC has awarded almost $9 billion in prizes to our players. During fiscal 2005/06, lottery and bingo winners collected 70 million prizes worth a total of $641.5 million. There were 26 major prizes won, including 13 prizes of $2 million or more.

It was a year of "firsts" and exciting wins. Vladimir Shemchishin reflected on what a great country Canada is when he won a $10 million jackpot on the nationwide Lotto Super 7 game. Vladimir began playing Lotto Super 7 when he immigrated from the Ukraine seven years ago and every week he played the same numbers. He and his wife planned to shower their son with gifts, including a new car.

In October, British Columbians caught "lotto fever" when the nationwide Lotto 6/49 jackpot reached $54.3 million, the largest prize ever offered in Canadian history.

Although the jackpot was claimed by a group of 17 in Alberta, nine co-workers from Nanaimo brought home a share of the next largest prize. They held one of 14 tickets that matched 5/6 of the regular numbers plus the bonus number for a prize of $143,252.90. The group had various plans, including trips, buying a new television set and sharing with their families.

It was a first-ever year for Keno. A Mission player, Kerry Dicer, won the biggest Keno jackpot – $200,006.

Kerry went to the Mission City Elks Lodge after work to relax and play Keno. While he normally selects birthdays for his numbers, the mill worker uncharacteristically used the nine-number Quick Pick with the bonus number. He found out he was a winner the same night when he checked his ticket. Kerry and his wife planned to use the win to travel.

Gerald Benjamin of Victoria made history as the winner of the largest prize ever won online – a Lotto 6/49 jackpot worth $3,845,357. On the afternoon of the draw, Gerald logged onto PlayNow on BCLC.com, one of only two legal Internet lottery sites in North America, to buy his $2 ticket.

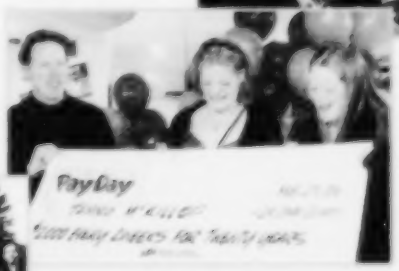
He learned about his good fortune when he received an e-mail that told him he had a big win and instructed him to contact BCLC. Gerald planned to share his prize with his family.

Tammy McKillop of Vancouver was the first-ever jackpot winner of BCLC's new lotto game, PayDay. The gas station where she purchased her ticket was so excited that one of their regular customers won big, they held a celebration in her honour. Tammy, a chef, planned to keep working and share her win with family and friends.

Another BCLC game, SportsFunder Instant Win, is making a new kind of winner and creating big excitement in the amateur sports world with the Share the Dream prize.

In March, just a month after the SportsFunder suite of lottery products launched in British Columbia, the first Share the Dream prize was awarded to Bill Vidovic of Surrey. Bill was ecstatic when he learned he had won $1,000 and was given the opportunity to select his favourite sport association to receive an additional $1,000. An avid boxing fan, he chose Boxing B.C.

Bill Vidovic of Surrey won the first-ever Share the Dream prize on the new SportsFunder Instant Win ticket. He won $1,000 and chose Boxing B.C. to receive an additional $1,000.

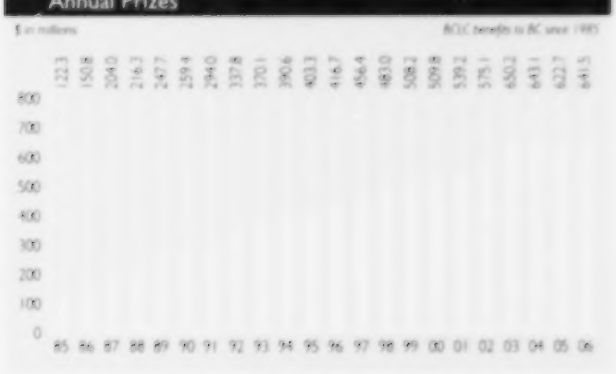


Tammy McKillop of Vancouver became the first winner of PayDay's top prize of $2,000 every two weeks for 20 years.

Sai Hoang Woo of Valemount won $50,000 when he scratched all 10 words on his Bonus Word Crossword Scratch 'n' Win ticket.

Gerald Benjamin of Victoria made history when he claimed the largest prize ever won online – $3,845,357 on Lotto 6/49. He purchased his ticket on the PlayNow website.

Annual Prizes



COMMUNITIES

BCLC employees take tremendous pride in the work they do and the benefits we return to British Columbia communities. In addition to generating net income for important Government programs, we share our community spirit around the province through our product and corporate sponsorships and our workplace committees.

We know that the success of many events is due in large part to the volunteer forces that always willingly step forward to give their time and energy. BCLC is pleased to work in partnership with these dedicated volunteers who are making a difference in their communities.

During fiscal 2005/06, the Corporation sponsored a variety of festivals, tournaments, celebrations, fundraisers and municipal conferences, as well as sports, recreation, arts, music and civic events.

Our sponsorship activities took us to various locations around British Columbia, including the Kelowna Centennial, Victoria Open CPGA golf tournament, Williams Lake Stampede, Canada Cup Women's Fastpitch in Surrey, Nanaimo Dragon Boat Festival, Fraserfest in New Westminster, Penticton Peach Festival, Symphony in the Park in Vancouver, Burnaby Blues Festival, Wildlights in Kamloops and the Prince George Exhibition.

We were also sponsors of events with a national or international focus, which included the Ford World Men's Curling Championship, HSBC Celebration of Light, Bell Canadian Open, 2005 Grey Cup Festival and the World Junior Hockey Championship.

BCLC employees actively support Corporate initiatives both in their home communities and in their workplace communities where fundraising takes place for worthy causes.

Employees participate in BCLC sponsorships by sharing their knowledge and expertise as hosts, speakers, facilitators and teachers and by generally lending a hand where needed.

Over the fiscal year, our employee teams played host for events such as the 2005 Grey Cup Party on the Pacific in Vancouver, Tim Hortons Road National Championships in Kamloops and Telus Skins game in Whistler.

Employees demonstrated community service support through activities such as the Christmas Charity Committee, Green Committee, Easter Seals 24 Hour Relay and United Way.

BCLC was a Platinum Partner for the HSBC Celebration of Light, the largest musical fireworks competition in the world.

BCLC was one of the Premier Partners for the 2005 Grey Cup in Vancouver. Sponsors attended a kick off event at BC Place Stadium.

Employees and family members proudly carried the BCLC banner in the Santa Claus Parade in Kamloops.

Sports Action Zone brings the game to sports fans as part of BCLC's partnership with the Vancouver Canucks.

Human Resources employees met with students and new graduates at spring career fairs at the University of BC, Simon Fraser University, Thompson Rivers University and B.C. Institute of Technology.

BCLC's head office parking lot in Kamloops was the staging area for an elite road race during the Tim Hortons Road National Championships. Employee volunteers hosted the refreshment tent for the racers.

IIHF
WORLD JUNIOR CHAMPIONSHIP
British Columbia • Canada

BCLC is committed to promoting the responsible use of our products. We take our responsibility to deliver commercial gaming in the province in a manner that considers its impact on the people and communities of British Columbia very seriously. Gambling is provided as a fun entertainment option for adults aged 19 and over. Among adults who choose to participate in gambling, the vast majority (95%) play responsibly. However, for a small number, gambling can result in problems that may affect family, finances, employment or self-esteem.

A shared responsibility approach, which BCLC believes is an effective way to address problem gambling, is evident in everything we do. With our partners, we ensure that a problem gambling risk management strategy and programs are in place to promote responsible play practices. Problem gambling is approached through research, awareness and education, prevention and treatment programs.

We work in partnership with Government, gaming service providers and those involved in the prevention and treatment of problem gambling to encourage safe and healthy use of our products. This includes an established partnership with the Gaming Policy and Enforcement Branch (GPEB), which regulates gaming and manages the province's Problem Gambling Program.

The British Columbia Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) is a strategic alliance developed to promote responsible play. One partnership initiative undertaken in fiscal 2005/06 was the opening of Responsible Play Information Centres that are operating at two of British Columbia's largest casinos – River Rock Casino Resort in Richmond and Edgewater Casino in Vancouver.

The booth-style centres have innovative design features for easy access and visibility from the gaming floor. Responsible Gambling Information Officers, who are trained in prevention education and counselling, are on hand to provide education, support and referral to customers.

These officers are knowledgeable about information related to odds of winning and losing, how particular games work, the concept of randomness, house advantage and other responsible gambling information and strategies. They have received training to help them respond to customers in distress and provide referral to professional free treatment services available through the Problem Gambling Program.

To support the ongoing training of gaming personnel, BCLC created the Appropriate Response Training (ART) program. Since ART's inception in fiscal 2004/05, more than 3,000 gaming industry employees have received training to help them respond to difficult situations involving customers. ART aims to give employees a better understanding of their role in delivering gaming products and an appropriate level of customer service, while respecting an adult's right to choose gaming as an entertainment option.

ART will continue to be delivered to casino gaming staff and an adapted program has been developed for bingo service providers. Moving forward, ART will be adapted for lottery service providers.

BCLC continues as an advisor of the Canadian Partnership for Responsible Gambling, a national initiative with a mandate to find ways to reduce the risk of problem gambling.

Also among our social responsibility practices, we ensure that:

- the responsible play message, "Know your limit, play within it," is included on many of our point-of-sale materials;
- games are operated with a high degree of security and integrity;
- the right prizes are paid to rightful winners;
- product information includes the odds of winning and losing;
- our products carry the Problem Gambling Help Line number (1-888-795-6111);
- laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized through a *19+* program;
- new gaming initiatives, such as PlayNow on BCLC.com, are developed with appropriate consideration for responsible play practices;
- and Responsible Gambling Standards and Advertising and Marketing Standards for the BC Gambling Industry are followed.

We administer a program that allows individuals to voluntarily exclude themselves from casinos, commercial bingo halls, community gaming centres or purchasing lottery products through the PlayNow website for a period of six months or one, two or three years.

Responsible Play Information Centres are operating at River Rock Casino Resort in Richmond and Edgewater Casino in Vancouver.

AUTHORITY AND REGULATION

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino and commercial bingo gaming.

The Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

GOVERNANCE PRACTICES

Following an extensive review of its existing governance practices, and with the goal of adopting well-established best practices in corporate governance, BCLC's Board of Directors adopted a new governance framework in early 2003. This governance framework reflects the Corporation's mandate, vision, mission and strategic goals and includes terms of reference for the Board, Board Chair, President and Chief Executive Officer, Directors and all standing committees of the Board. The framework also includes operating guidelines for the Board and its committees, and describes processes for strategic planning, succession planning and Board performance evaluations.

Government is committed to achieving and maintaining exemplary standards of governance and has established a best practices governance and accountability model. In 2005, Government released Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations with a view to implementation by April 1, 2006. The guidelines establish broad provincial standards for board governance practices and provide for greater public accountability and transparency through standardized disclosure requirements.

BCLC complies with each of the disclosure requirements and by the end of April 2006 was fully compliant with the standards and guidelines. Information about BCLC's corporate governance is available at http://www.bclc.com/en/aboutbclc/corporategovernance.html.

The Board continuously reviews and evaluates BCLC's governance framework with a view to maintaining good corporate governance practices that are aligned with the Corporation's business and consistent with Government's guiding principles for corporate governance in Crown corporations. As part of its governance practices, the Board regularly evaluates its own performance with the objective of continuously improving performance and performing its oversight role in the most efficient and effective manner.

A key component of BCLC's governance framework is the Shareholder Letter of Expectation, entered into between the Minister and the Corporation, which confirms the shared understanding of Government and BCLC on its corporate mandate, public policy issues, strategic priorities and performance expectations. The Shareholder Letter of Expectation is reviewed and discussed with Government annually and updated as required.

BOARD OF DIRECTORS

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for BCLC by order of the Lieutenant-Governor in Council. The Board currently consists of nine independent directors chosen on the basis of their skills, expertise and experience.

The Board provides stewardship and ethical leadership by overseeing management of BCLC's affairs with a view to the best interests of the Corporation and the long-term interests of the shareholder, the Government of British Columbia.

The Board has a primary responsibility to foster BCLC's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible for participating with management in developing, and ultimately approving, BCLC's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors BCLC's performance against the approved strategic and operating plans. The Board is also responsible for setting and revising as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principle risks facing BCLC to ensure that strategies are implemented to manage such risks.

The Board met seven times in fiscal 2005/06. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management with the focus of establishing BCLC's strategic direction for the upcoming years. Senior management attend all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

BOARD OF CONDUCT FOR DIRECTORS

In carrying out the Board's mandate, each director is responsible to act honestly and in good faith with a view to the best interests of BCLC and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

CHAIR

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

COMMITTEE MANDATES

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, note findings and make recommendations to the Board.

STANDING COMMITTEES

Audit

Chair: Bruna Giacomazzi[1]
Members: Arthur Willms, Kathy Stevenson[2], John Bell

Met five times in fiscal 2005/06

- Liaises between the external and internal auditors and the Board.
- Oversees the review of BCLC's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly results.
- Reviews the financial information that will be provided to Government and the public.
- Oversees the review of BCLC's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Note[1]: until Bruna Giacomazzi's resignation from the Board November 1, 2005.
Note[2]: Kathy Stevenson was appointed May 3, 2006.

Governance and Corporate Social Responsibility

Chair: David Gillespie
Members: Bruna Giacomazzi, Arthur Willms

Met four times in fiscal 2005/06

- Provides focus on corporate governance to enhance BCLC's performance.
- Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.
- Oversees development of a long-term Board composition and succession plan and leads the process for developing potential director criteria.
- Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.
- Oversees the review of BCLC's corporate social responsibility policy.

Human Resources and Compensation

Chair: Tazeem Nathoo
Members: Donald Pettit, Neil McDonnell

Met five times in fiscal 2005/06

- Examines BCLC's strategies and practices that relate to human resource and compensation matters and succession planning issues, and provides advice on these matters to the Board for consideration.
- Oversees matters related to the compensation and performance assessment of the President and CEO.
- Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship

Chair: John Bell
Members: Neil McDonnell, Donald Pettit

Met three times in fiscal 2005/06

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan.
- Reviews the overall marketing and sponsorships strategies and guidelines that will govern BCLC's role on brands, business unit and sponsorships.
- Monitors BCLC's performance against the marketing strategies and guidelines.

Ex-officio members of all committees:

T. Richard Turner, Chair[3]
John McLernon[4]
Vic Poleschuk, President and CEO

Note[3]: T. Richard Turner's appointment to the Board was rescinded December 9, 2005.
Note[4]: John McLernon was appointed as a Director and Chair of the Board December 9, 2005.

This Management Discussion and Analysis reviews the financial condition and the results of operation of BCLC for the fiscal year ended March 31, 2006, and should be read in conjunction with the Corporation's audited financial statements.

Financial Overview

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06 Actual	2005/06 Budget	2005/06 Variance
Revenues							
Lottery	962.7	968.6	960.4	938.0	967.4	970.0	(2.6)
Casino	552.4	628.1	733.4	892.9	1,085.3	1,050.0	35.3
Bingo	92.3	195.7	195.7	196.5	208.0	230.0	(22.0)
	1,607.4	**1,792.4**	**1,889.5**	**2,027.4**	**2,260.7**	**2,250.0**	**10.7**
Direct Expenses	863.5	987.0	1,014.8	1,048.8	1,145.8	1,134.1	(11.7)
Operating Expenses	137.8	134.5	147.1	159.7	192.2	215.9	23.7
Net Income	**$606.1**	**$670.9**	**$727.6**	**$818.9**	**$922.7**	**$900.0**	**$22.7**
Profit Margin	37.7%	37.4%	38.5%	40.4%	40.8%	40.0%	0.8%
Capital Expenditures	20.2	29.6	49.0	93.5	82.9	111.7	28.8
Employees (FTEs)	615.0	549.0	560.0	569.0	575.0	593.0	18.0

At $2.261 billion, total gaming revenues for fiscal 2005/06 were $10.7 million greater than budget and $233.3 million greater than the previous fiscal year. The continuing replacement of older casino properties with higher entertainment facilities, the introduction of new, innovative lottery games, a record Lotto 6/49 jackpot of $54.3 million and the continuing development of community gaming centres all contributed to the strong performance.

Direct costs of $1.15 billion were $11.7 million greater than budget and $97.0 million greater than the previous fiscal year. The increase over budget and the previous fiscal year was directly related to the prizes, commissions and ticket printing required to support the continuing growth in revenues.

Operating costs of $192.2 million were $23.7 million less than budget and $32.5 million greater than the previous fiscal year. The positive operating cost variance from budget was the result of lower than budgeted general operating costs, less amortization than plan and a one-time GST recovery. A new network contract was negotiated during the year that resulted in cost savings of more than $1.0 million. Delays in the introduction of community gaming centres and the delay or cancellation of several lottery and corporate initiatives resulted in cost savings in the advertising and marketing categories. Amortization was $8.0 million less than budget, reflecting a lower capital spend for gaming equipment than plan.

The increase in operating costs over the previous fiscal year reflect increased general operating costs, amortization and GST, all of which are directly related to the growth in the business.

At $922.7 million, net income exceeded budget by $22.7 million and the previous fiscal year by $103.8 million. As a percentage of revenue, net income increased from 40.4% to 40.8%, reflecting a shift in product mix to higher contribution casino games.

Capital expenditures of $82.9 million were $28.8 million less than budget. The majority of BCLC's capital expenditures are for equipment and systems that support gaming operations. With delays in the opening of Hastings Racetrack Casino and planned openings of community gaming centres, expenditures were less than budget.

Since fiscal 2001/02, total gaming revenues in British Columbia have increased from $1.61 billion to $2.26 billion, an increase of about $650 million or 41%. This reflects the addition of casino gaming and commercial bingo to BCLC's mandate. During this period, lottery revenues in British Columbia and across Canada have remained relatively flat and in some jurisdictions have declined.

On a per capita basis, gaming in British Columbia is moderate compared to other provinces in Canada. BCLC currently ranks eighth in Canada per capita gaming expenditures.

A more detailed assessment of BCLC's internal and external environment can be found in the Corporation's Service Plan.

Lottery Operations

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06 Actual	2005/06 Budget	2005/06 Variance
Revenues							
Retail Network	717.2	742.4	747.0	712.4	733.0	738.5	(5.5)
Hospitality Network	245.5	226.2	213.4	225.3	229.2	221.0	8.2
eLottery	0.0	0.0	0.0	0.3	5.2	10.5	(5.3)
	962.7	**968.6**	**960.4**	**938.0**	**967.4**	**970.0**	**(2.6)**
Direct Expenses	600.7	610.3	602.3	581.4	613.8	603.2	(10.6)
Operating Expenses	68.2	64.8	69.2	71.8	80.4	88.8	8.4
Net Income	**$293.8**	**$293.5**	**$288.9**	**$284.8**	**$273.2**	**$278.0**	**($4.8)**

Financial Overview

Fiscal 2005/06 lottery revenues of $967.4 million were $2.6 million below budget and $29.4 million greater than the previous fiscal year. While revenues have been relatively flat over the last several years, fiscal 2005/06 has shown growth as a result of new product initiatives introduced by BCLC. These initiatives included the introduction of an Internet-based distribution channel, PlayNow, the introduction of new, innovative games, including Racetrax and PayDay, and the introduction of a suite of Olympic-themed games that support amateur sports in British Columbia.

Direct expenses of $613.8 million were $10.6 million greater than budget and $32.4 million greater than the previous fiscal year. The increase over budget and the previous year was the result of higher prize funding and higher ticket printing costs.

Operating costs of $80.4 million were $8.4 million less than budget and $8.6 million greater than the previous fiscal year. In comparison to budget, operating cost savings were realized in both advertising and network communications. A new network contract was negotiated during the year that resulted in savings of more than $1.0 million. Compared to the previous fiscal year, higher amortization costs were incurred, reflecting the replacement of the lottery central system and retail network terminals.

Fiscal 2005/06 net income of $273.2 million was $4.8 million less than budget and $11.6 million less than the previous year. The write-off of obsolete tickets and a one-time prize adjustment impacted results.

Operational Highlights

BCLC's lottery network consists of about 3,050 retail and 1,340 hospitality locations. Competition from other forms of gaming and entertainment, shifts in consumer traffic patterns and significant changes at retail have all contributed to a flattening of lottery sales. A key strategic initiative of BCLC is to transform and reinvent the lotteries. This will be achieved through the introduction of new innovative games, strengthening the marketing of existing games and the continued development and refinement of existing and new lottery channels.

Operational highlights for the lottery division in fiscal 2005/06 included the introduction of online versions of Lotto 6/49, BC/49, Lotto Super 7 and Keno, the introduction of new online Interactive games and the introduction of PayDay. Registered players for the new Internet lottery channel, PlayNow, increased from about 3,000 to more than 30,000 during the year. Additionally, BCLC launched SportsFunder in February 2006, a suite of Olympic-themed games that will support amateur sports in British Columbia.

Lottery Revenue Trends

Casino Operations

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	2005/06 Actual	2005/06 Budget	2005/06 Variance
Revenues							
Slot Machine	311.7	373.6	463.5	588.6	762.3	750.0	12.3
Table Games	240.7	254.5	269.9	298.9	306.6	296.5	10.1
Poker	0.0	0.0	0.0	5.4	16.4	3.5	12.9
	552.4	628.1	733.4	892.9	1,085.3	1,050.0	35.3
Direct Expenses	193.1	218.3	252.3	307.3	369.9	356.0	(13.9)
Operating Expenses	59.8	55.2	62.8	70.3	93.8	105.0	11.2
Net Income	**$299.5**	**$354.6**	**$418.3**	**$515.3**	**$621.6**	**$589.0**	**$32.6**

Financial Overview

Fiscal 2005/06 casino net win of $1.085 billion was $35.3 million greater than budget and $192.4 million greater than the previous fiscal year. The opening of a new casino in Langley, the expansion of an existing property in Coquitlam and a full year of operation of several casinos that had been operational for only part of fiscal 2004/05 contributed to the strong performance.

Direct expenses of $369.9 million were $13.9 million greater than budget and $62.6 million greater than the previous fiscal year. The increase in costs from budget and the previous fiscal year were directly related to the increase in revenues.

Operating costs of $93.8 million were $11.2 million less than budget and $23.5 million greater than the previous fiscal year. The positive budget variance reflects operational cost savings in salaries and marketing, lower than planned amortization and a recovery in GST expense relating to previous years. The increase in costs over the previous year reflects additional amortization and GST, both directly related to growth in the business.

Fiscal 2005/06 net income of $621.6 million was $32.6 million greater than budget and $106.3 million greater than the previous fiscal year. Increased revenues from new higher entertainment casinos and a GST recovery relating to previous fiscal years contributed to the strong performance.

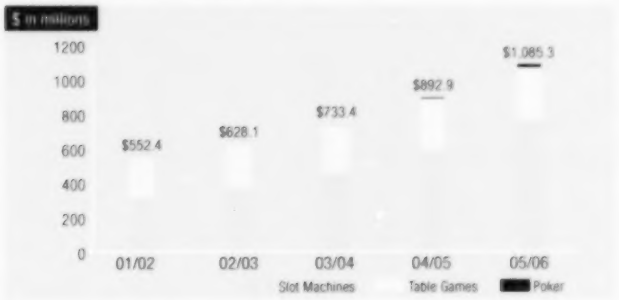
Operational Highlights

BCLC's casino network includes 13 community casinos, four destination casinos and one racetrack casino that operated a total of 7,148 slot machines and 455 table games in fiscal 2005/06. The casino market in British Columbia is close to being fully built out. BCLC will continue to increase the entertainment value for the player and positioning casinos in British Columbia as an entertainment option for out-of-province tourists.

A key strategic initiative for BCLC is to grow casino revenue and improve the quality of the product with fewer, better locations sized to fit the market. Operational highlights in fiscal 2005/06 included a new casino in Langley (Cascades), the expansion of an existing casino in Coquitlam

(Boulevard), and the opening of a hotel and show theatre at River Rock Casino Resort in Richmond. Additionally, BC Gold, a player points program, was successfully introduced during the year. Older casino properties in Vancouver (Mandarin) and New Westminster (Royal Towers) were closed.

Casino Sales Trends



Bingo Operations

Financial Results ($ in millions)	2001/02	2002/03	2003/04	2004/05	Actual	2005/06 Budget	Variance
Revenues							
Paper Bingo	29.1	116.2	107.5	98.2	88.0	98.0	(10.0)
Electronic Bingo	63.2	79.5	88.2	93.5	94.9	105.0	(10.1)
Slot Machines	0.0	0.0	0.0	4.8	25.1	27.0	(1.9)
	92.3	195.7	195.7	196.5	208.0	230.0	(22.0)
Direct Expenses	69.7	158.4	160.2	160.1	162.1	174.9	12.8
Operating Expenses	9.8	14.5	15.1	17.6	18.0	22.1	4.1
Net Income	**$12.8**	**$22.8**	**$20.4**	**$18.8**	**$27.9**	**$33.0**	**($5.1)**

Financial Overview

Fiscal 2005/06 bingo revenues of $208.0 million were $22.0 million less than budget and $11.5 million greater than the previous fiscal year. Delays in the planned opening of several new community gaming centres, continuing declines in traditional paper bingo sales and lower than budgeted results from electronic bingo products contributed to the negative variance.

Direct expenses of $162.1 million were $12.8 million less than budget and $2.0 million greater than the previous fiscal year. The positive variance from budget was directly related to lower than targeted revenues.

Operating costs of $18.0 million were $4.1 million less than budget and $400,000 greater than the previous fiscal year. Delays in the opening of new community gaming centres resulted in operational cost savings and less amortization than budget.

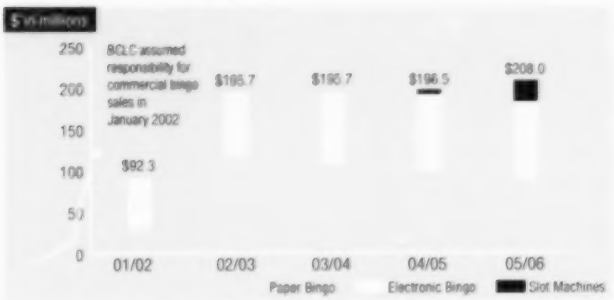
Net income of $27.9 million was $5.1 million less than budget and $9.1 million greater than the previous fiscal year. The negative variance from budget was the result of lower than targeted revenues. Net income growth over the previous fiscal year was the result of increased revenues from community gaming centres and the introduction of slot machines in these facilities.

Operational Highlights

BCLC offers varying gaming products through a network of 24 commercial halls, five community gaming centres and 15 independent operators. Products marketed through this distribution channel include electronic bingo, paper bingo and slot machines. Bingo is considered a mature market in British Columbia and across Canada, with sales of traditional paper-based products remaining flat or declining over the last several years.

A key strategic initiative for BCLC is to improve the quality of the product and facilities through transitioning bingo halls to community gaming centres. While BCLC was successful in opening only one new facility this year, the Corporation negotiated a new compensation agreement with bingo service providers and has approval from various municipalities to introduce seven new community gaming centres in fiscal 2006/07. During the year, a comprehensive marketing plan, including a new Chances brand image, logo and signage was developed to support the repositioning of bingo in British Columbia as a higher entertainment experience for players.

Bingo Revenue Trends



BC Lottotech International Inc.

BC Lottotech International Inc. was incorporated under the *Company Act of British Columbia* on March 27, 1987, and is a wholly owned subsidiary of British Columbia Lottery Corporation. BC Lottotech's financial statements are included in the consolidated financial statements of BCLC. The primary purpose of BC Lottotech is to acquire gaming equipment for BCLC.

(AS AT MARCH 31, 2005)

With revisions to Government gaming policy in 1997 that allowed for the introduction of slot machines, gaming revenues in British Columbia have increased significantly. While gaming revenues in British Columbia have grown over this period, on a per capita basis net gaming expenditures remain moderate compared to other provinces in Canada.

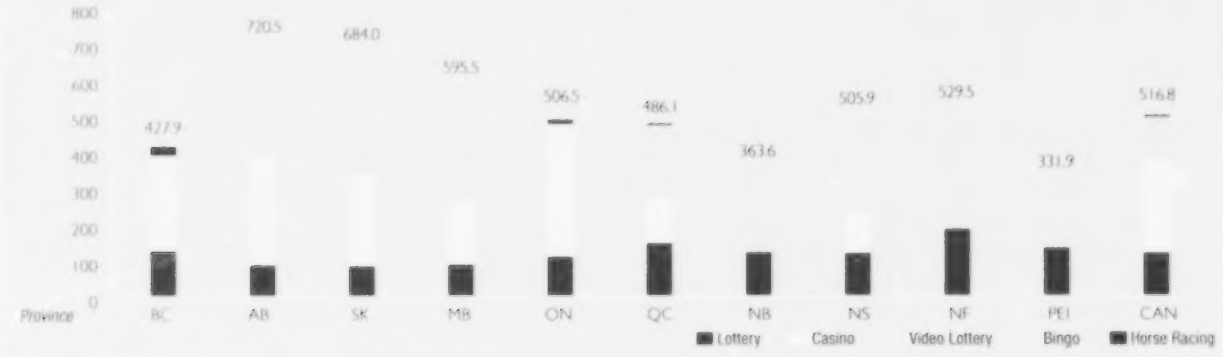
As illustrated in the following table, in fiscal 2004/05, the most current year available, British Columbia per capita net gaming expenditures are ranked eighth in Canada and British Columbia has fewer gaming devices per thousand adult population than any other province. This moderate expenditure is consistent with Government's gaming policy and BCLC's objective to market gaming in a socially responsible manner.

COMMERCIAL GAMING EXPENDITURE BY PROVINCE, NET OF PRIZES FOR THE YEAR ENDED MARCH 31, 2005

TOTAL NET EXPENDITURE (THOUSANDS)

	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Lottery	$ 432,098	$ 219,652	$ 63,918	$ 79,952	$ 1,081,319	$ 892,825	$ 73,270	$ 90,056	$ 76,911	$ 14,322	$ 3,024,323
Casino	897,673	781,000	193,654	155,803	3,590,474	751,193	n/a	84,994	n/a	n/a	6,454,791
Video Lottery	n/a	759,000	257,248	287,100	n/a	1,236,884	143,347	200,229	142,339	19,667	3,045,814
Bingo	74,868	n/a	n/a	n/a	7,547	20,023	n/a	n/a	n/a	n/a	102,438
Horse Racing	47,392	36,885	344	10,058	265,561	44,711	1,975	3,346	215	1,716	412,203
Total	$ 1,452,031	$ 1,796,537	$ 515,164	$ 532,913	$ 4,944,901	$ 2,945,636	$ 218,592	$ 378,625	$ 219,465	$ 35,705	$13,039,569

Per Capita Net Gaming Expenditures

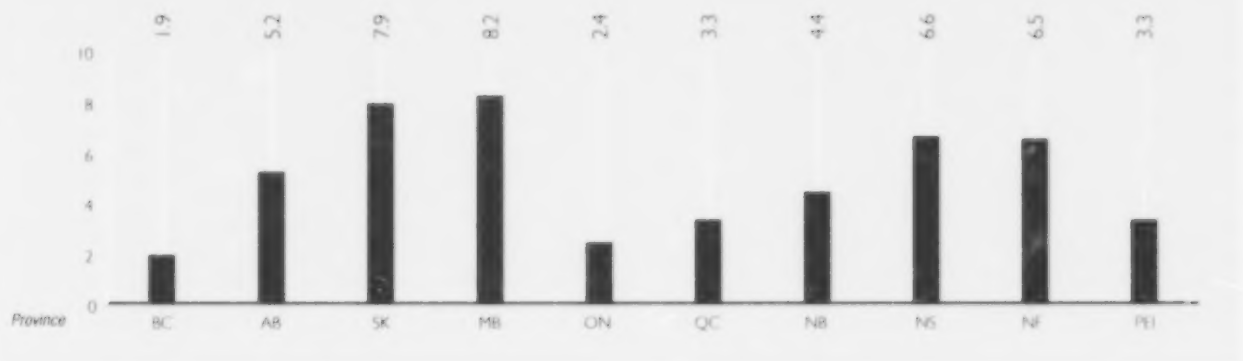


(AS AT MARCH 31, 2005)

ELECTRONIC GAMING DEVICES IN CANADA AS AT MARCH 31, 2005

Electronic Gaming Devices	BC	AB	SK	MB	ON	QC	NB	NS	NF	PEI	CAN
Slot Machines	6,307	7,055	1,990	2,880	23,215	5,900	0	1,098	0	0	48,445
Video Lottery	0	5,978	3,971	4,482	0	14,007	2,639	3,820	2,675	354	37,926
Total Gaming Devices	**6,307**	**13,033**	**5,961**	**7,362**	**23,215**	**19,907**	**2,639**	**4,918**	**2,675**	**354**	**86,371**
Gaming Devices per 1,000 population	1.9	5.2	7.9	8.2	2.4	3.3	4.4	6.6	6.5	3.3	3.4

Electronic Gaming Devices Per Thousand Adult Population



Notes

1. Net Gaming Expenditures:
   Amount spent by players after deducting money returned as prizes, for all forms of gaming.
2. Information Sources:
   a) Population represents Statistics Canada estimate of the population (18 and over) as of July 1, 2005. Estimates current as of December 2005.
   b) Gaming information
      - British Columbia Lottery Corporation
      - Western Canada Lottery Corporation
      - Ontario Lottery and Gaming Corporation
      - Loto-Québec
      - Atlantic Lottery Corporation
      - Alberta Liquor and Gaming Authority
      - Saskatchewan Liquor and Gaming Authority
      - Manitoba Lotteries Corporation
      - Nova Scotia Gaming Corporation
      - Canadian Para-Mutual Agency

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

BCLC was established as a Crown corporation by Government to conduct and manage gaming in British Columbia. The goals and objectives of BCLC go beyond generating revenue for Government and include ensuring gaming is delivered in a socially responsible way and promoting both economic development and strong, vibrant communities in British Columbia. This section is intended to illustrate how the goals and objectives of BCLC are aligned with the strategic direction of Government.

GOVERNMENT STRATEGIC PLAN — BCLC SERVICE PLAN

GOVERNMENT GOALS	BCLC ALIGNMENT
To make British Columbia the best educated, most literate jurisdiction on the continent. To lead the way in North America in healthy living and physical fitness. To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors. To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none. To create more jobs per capita than anywhere else in Canada.	• Fiscal 2005/06 net income of $922.7 million generated for key Government programs, including health care, education and physical fitness. Introduction of the SportsFunder suite of lottery games, with net profit dedicated to amateur sport in British Columbia. • Government gaming revenues of $137.7 million that provide funding to nearly 6,000 charitable organizations, including many that support healthy living, physical fitness and parent advisory groups that support education in British Columbia. • BCLC has implemented environmentally friendly policies, including recycled paper for ticket printing, recycling computers back into the school system and power-smart facility initiatives. • There are about 10,000 people who are directly employed in the gaming business in British Columbia, with close to $1 billion invested in property assets, pursuant to contracts established and managed by BCLC.
KEY STRATEGIC THEMES	**BCLC ALIGNMENT**
High standards of accountability and ethics	• Corporate values that focus on integrity, social responsibility and respect
Efficient delivery of services	• Strategic initiatives that focus on operational excellence in our people, our practices and systems
Social and fiscal responsibility	• Commitment to socially responsible gaming and long-term stewardship of British Columbia's gaming industry
Open and transparent	• Open communications with the public, business partners and consumers
Innovative and goal-oriented workforce	• Corporate strategic initiatives that focus on high performance and innovation

RISK AND CAPACITY

BCLC continually assesses and manages risk and capacity. As an integral part of the Corporation's planning process, specific objectives, strategies and performance measures are developed to mitigate risk. The following table summarizes key risk and capacity issues facing BCLC and mitigating strategies.

RISK AND CAPACITY	MITIGATING STRATEGY
Competition Lottery sales in British Columbia and across Canada are stagnant or declining.	BCLC is developing new, innovative products and investigating new distribution channels to increase entertainment value and convenience to the player. In fiscal 2005/06, BCLC introduced new, innovative lottery games, including Racetrax, online versions of Lotto 6/49, BC/49, Keno and Lotto Super 7, and a new suite of SportsFunder lottery games that help fund amateur sports in British Columbia.
Bingo sales in British Columbia and across Canada have been declining for a number of years.	Since assuming responsibility for commercial bingo in January 2002, sales have stabilized. BCLC is transforming the bingo market through improved facilities and the introduction of new games and other forms of entertainment.
High-quality and larger gaming facilities in neighbouring jurisdictions compete with casinos in British Columbia for casino entertainment spending.	BCLC's business plan provides for the development of fewer, higher quality casinos sized to fit the marketplace. Highlights in fiscal 2005/06 included the opening of new or improved casino properties in Langley and Coquitlam and the opening of a new hotel and show theatre at River Rock Casino Resort in Richmond.
The Internet has increased competition by opening up historical commercial and geographic barriers, allowing illegal Internet gambling to be available to players in British Columbia.	BCLC has introduced a new eLottery channel, PlayNow, to provide convenience for our lottery players in British Columbia.
Host Local Government Approvals The *Gaming Control Act* requires that local governments provide approval for acceptance or relocation of casinos and bingo halls in their communities. Delays or the inability to obtain the necessary government approvals present a risk to delivering on our revenue targets.	BCLC has developed an extensive consultation and relocation process to ensure communities and key stakeholders have adequate information to make informed decisions.
Public Acceptance Without strong public acceptance and support, BCLC's ability to achieve our business and revenue objectives may not be achieved.	BCLC is continuing to adopt industry best practices that promote responsible play. BCLC, in conjunction with the Gaming Policy and Enforcement Branch, plays a key role in developing, implementing and managing responsible play programs to mitigate the risks associated with gambling. BCLC is developing and implementing programs to better inform the public about how gaming revenues benefit British Columbians. BCLC continues to place the highest level of importance on the integrity of our games, processes and people.
Gaming Integrity Breach BCLC's high profile and reliance on computer systems makes the Corporation a high risk for malicious electronic activity from external sources.	BCLC is dedicating significant internal and external resources to reduce gaming integrity risks from external sources.
Capacity With responsibilities to conduct and manage casino and bingo gaming added to BCLC's mandate, the complexity and size of the business have increased.	BCLC has developed internal resources and recruited outside expertise to manage growth in the business. In fiscal 2005/06, BCLC made major investments in our technology infrastructure. BCLC's capital expenditures in fiscal 2005/06 were about $83 million. The majority of these expenditures were for new gaming equipment and systems that support marketplace initiatives. BCLC updated our Business Continuity Plan with the objective of mitigating risk around the Corporation's revenue-generation systems. BCLC continues to work closely with our business partners to ensure they have adequate information and technology to manage the business.

In July 2000, the *Budget Transparency and Accountability Act* was passed in the British Columbia Legislature. The primary objectives of the Act are to make the Government budget process more accountable and accessible to the public, to improve the reliability and credibility of budget forecasts, to improve accountability for results, to improve the accounting and quality of financial information provided by Government, and to improve the timeliness, consistency, comparability and transparency of information provided to the public.

In August 2001, the Act was amended to require that three-year Service Plans for Government organizations be made public annually with the budget on the third Tuesday in February. This year's Annual Service Plan Report is the companion document to BCLC's Fiscal 2005/06 – 2007/08 Service Plan that was updated in September 2005 and reports on the goals, strategies, performance measures and targets that were established in this plan. While the Corporation's goals, strategies and performance measures remain unchanged from the 2005/06 – 2007/08 Service Plan, the targets for the fiscal years 2006/07 – 2008/09 were updated in this year's Annual Report to reflect management's best estimates and the information contained in BCLC's current Service Plan.

1. To Generate Net Income for the Public Good

Strategies

- Transform and reinvent the lotteries to a growth business
- Grow casino revenue and improve the quality of the product with fewer, better locations sized to the market
- Grow revenue by improving the quality of products and facilities through transitioning bingo halls to community gaming centres
- Develop a viable eLottery business
- Develop and maintain a sound, responsive and adaptive technology infrastructure
- Reduce operating costs as a percentage of revenue

Performance Measures		2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Revenue	Lottery	$ 960.4	$ 938.0	$ 967.4 actual $ 970.0 target	$ 1,000.0	$ 1,050.0	$ 1,150.0
	Casino	$ 733.4	$ 892.9	$ 1,085.3 actual $ 1,050.0 target	$ 1,140.0	$ 1,175.0	$ 1,225.0
	Bingo	$ 195.7	$ 196.5	$ 208.0 actual $ 230.0 target	$ 225.0	$ 240.0	$ 250.0
Total Revenue		$ 1,889.5	$ 2,027.4	$ 2,260.7 actual $ 2,250.0 target	$ 2,365.0	$ 2,465.0	$ 2,625.0
Net Income	Lottery	$ 288.9	$ 284.8	$ 273.2 actual $ 278.0 target	$ 278.9	$ 291.5	$ 307.9
	Casino	$ 418.3	$ 515.3	$ 621.6 actual $ 589.0 target	$ 630.1	$ 649.5	$ 683.6
	Bingo	$ 20.4	$ 18.8	$ 27.9 actual $ 33.0 target	$ 31.0	$ 39.0	$ 43.5
Total Net Income		$ 727.6	$ 818.9	$ 922.7 actual $ 900.0 target	$ 940.0	$ 980.0	$ 1,035.0
Profit Margin		38.5%	40.4%	40.8% actual 40.0% target	39.7%	39.8%	39.4%
Operating Cost Ratio		4.8%	4.7%	4.5% actual 4.8% target	4.7%	4.6%	4.5%
FTEs		560	569	575 actual 593 target	600	612	625
Player Participation (%)		61%	63%	61% actual 63% target	65%	67%	67%
Player Satisfaction (%)		82%	83%	84% actual 88% target	84%	88%	90%

BCLC's mission is to offer responsible gaming entertainment, generating net income for the public good. This mission statement establishes the framework for BCLC as new business opportunities and new gaming products are developed.

At $2.261 billion, total gaming revenues for fiscal 2005/06 were $10.7 million greater than budget and $233.3 million greater than the previous fiscal year. The continuing replacement of older casino properties with higher entertainment facilities, a record Lotto 6/49 jackpot of $54.3 million and the introduction of slot machines in community gaming centres all contributed to the strong performance.

At $922.7 million, net income exceeded budget by $22.7 million and the previous fiscal year by $103.8 million. As a percentage of revenue, net income increased from 40.4% to 40.8%, reflecting a shift in product mix to higher contribution casino games. A more detailed analysis of revenue and net income performance by business unit is included in this report's Management Discussion and Analysis section.

In fiscal 2005/06, BCLC made progress towards transforming and reinventing the lottery business. New, innovative products launched during the year included Racetrax, Sports Action Pools, PayDay and SportsFunder. All of these games represent a departure from traditional games and are designed to deliver higher entertainment value to the player. A major milestone for BCLC was the introduction of SportsFunder, a suite of 2010 Olympic-themed games. SportsFunder not only represent a new entertainment option for lottery players, but also supports Government's goal of promoting healthy living and physical fitness as all profits from these games are dedicated to amateur sports in British Columbia.

Also supporting the strategy of transforming and reinventing the lottery to a growth business was the replacement of the retail network of 4,390 terminals. These new technology terminals provide BCLC with the ability to introduce new, innovative products that would not have been possible with older technology terminals.

A key strategy for BCLC is to grow casino revenue by providing the player with higher quality products and improved gaming facilities. Major achievements during the year included the opening of the new Cascades casino in Langley, the redevelopment of the existing Coquitlam facility as Boulevard Casino, and the opening of a hotel and show theatre in the Richmond River Rock Casino Resort. Additionally, BC Gold, a player points program, was successfully introduced during the fiscal year.

BCLC's business plan provided for the introduction of seven community gaming centres during fiscal 2005/06. These new facilities are intended to rejuvenate the bingo market in British Columbia and provide players with a greater range of entertainment options in vastly improved facilities. BCLC was successful in opening only one new facility this year. However, the Corporation has negotiated a new compensation agreement with bingo service providers and has host local government approvals to introduce seven community gaming centres in fiscal 2006/07. These new facilities, along with the introduction of slot machines and other new games, are expected to improve the entertainment value for players in British Columbia.

A key strategy for BCLC is to develop a viable eLottery business. Internet gaming is expanding rapidly worldwide. For BCLC to maintain its current player base, the Corporation must provide easy and convenient access to its lottery products. In October 2004, BCLC introduced a new Internet-based lottery channel, PlayNow on BCLC.com. Sales in the first year of operation were $300,000. In fiscal 2005/06, additional products were added to this channel, including online versions of Lotto 6/49, BC/49, Lotto Super 7 and Keno and new, innovative Interactive games. Registered players increased from about 3,000 to 30,000 and sales increased to $5.2 million.

During the year, BCLC continued to make major investments in its technology infrastructure to support strategic goals. Capital investments of more than $80 million were incurred during the fiscal year, with the majority of these expenditures for new gaming equipment and games.

At $102 million or 4.5% of revenue, general operating costs were $5.6 million less than budget. A new data network contract negotiated during the year and other operational cost savings resulted in the organization reducing costs below its target of 4.7% of revenue.

At 575 full-time equivalents, BCLC's staffing levels were below budget. The Corporation continues to use technology to achieve business improvement opportunities with the goal of operating the business in the most effective and efficient manner possible.

Player participation is a key measure for BCLC. At 61%, the level of player participation was slightly less than the target of 63%. BCLC will continue to develop games that promote responsible play and that deliver high entertainment value to players in British Columbia.

At 84%, player satisfaction was just below the target of 88%. BCLC will continue to introduce innovative new games and enhance gaming facilities to meet the needs of our players.

2. To be a Socially Responsible and Respected Organization that has a Broad Base of Public Support

Strategies

- Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.

Performance Measures	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Public support of gaming	58% actual	56% actual	51% actual 60% target	52%	55%	55%
Public support of BCLC	71% actual	66% actual	67% actual 73% target	66%	70%	70%
Public recognition for social responsibility	59% actual	56% actual	56% actual 60% target	56%	58%	60%
Public awareness of the beneficiaries of gaming	34% actual	28% actual	36% actual 45% target	32%	35%	40%

The Government of British Columbia has designated BCLC as the authority to conduct and manage gaming in the province. Government has chosen to operate gaming through BCLC not only to meet the requirements of the Criminal Code, but to ensure that the objective of revenue generation is carefully balanced with the objectives of social responsibility and gaming integrity.

Public consent to operate is integral to BCLC's success in the marketplace. BCLC measures public consent through four key measures: public support of gaming, public support of BCLC, public recognition for social responsibility, and public awareness of the beneficiaries of gaming.

At 51%, overall public support for gaming in British Columbia did not achieve its target of 75% in fiscal 2005/06 and declined by 5% over the previous fiscal year. This may be attributed to a general increase in media coverage regarding casino gaming, as well as an increase in exposure to casino advertising originating in British Columbia and from locations outside the province. These two factors correspond to an increase in public perception that there is too much gaming in British Columbia and too many casinos. There has been a related small decline in public support for the existence of casino gaming.

At 67%, public support of BCLC missed its target of 73%. To address the level of public recognition and awareness of BCLC's role, the Corporation has developed communications programs to better inform the public about gaming integrity, social responsibility, economic benefits and the net income generated for Government programs. This information is delivered through existing vehicles such as BCLC.com, the Annual Report, annual Service Plan, communications to business service partners, and advertising and marketing programs.

At 56%, public recognition of BCLC as a socially responsible organization has remained consistent for the past three years, although the target of 60% was not reached. BCLC believes that addressing problem gambling effectively requires a shared responsibility approach. The Corporation works in partnership with the Gaming Policy and Enforcement Branch (GPEB) to ensure that problem gambling issues are addressed through public awareness, research, education, prevention and treatment programs.

The British Columbia Partnership for Responsible Gambling is a strategic alliance that promotes responsible play. In fiscal 2005/06, the partnership introduced a responsible gambling education and problem gambling prevention initiative with the opening of Responsible Play Information Centres at River Rock Casino Resort in Richmond and Edgewater Casino in Vancouver.

Since the inception of BCLC's Appropriate Response Training (ART) program, more than 3,000 gaming industry employees have received training on how to respond to difficult situations involving customers.

BCLC is striving to improve public awareness about the beneficiaries of gaming in British Columbia through messages that convey "where the money goes." The net income distributed to Government benefits public programs for health, education, social, community, charitable and municipal purposes.

At 36%, public awareness increased by 8% over the previous fiscal year, but did not meet the target of 45%. BCLC continues to face challenges in increasing public awareness of the beneficiaries of gaming revenue and the good works carried out by community and charitable organizations and municipal governments throughout British Columbia, while at the same time remaining respectful to public sensitivities toward gaming.

In the next fiscal year, BCLC will place increased emphasis on programs that communicate information about the beneficiaries of gaming revenue, programs that promote responsible play and the safe and healthy use of BCLC products, and programs that address the prevention and treatment of problem gambling.

3. To be an Employer of Choice with a High-performance Workforce Passionately Driving the Success of Our Business

Strategies						
• Instil a high-performance culture through strong leadership, innovation, employee development and engagement						
Performance Measures	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Employee Engagement	56% actual	51% actual	n/a 75% target	70%	80%	80%

BCLC remains committed to the goal of creating a high performance culture. The organization has defined the desired culture as one that has high integrity, respect and social responsibility, with overall competencies around team, player focus, innovation, personal growth and results.

Over the past fiscal year, BCLC has seen an increased need for specialized knowledge workers within the organization and understands the critical need to position the Corporation to successfully meet the looming talent shortage. The necessity to position BCLC to strategically recruit into the future further highlights the fundamental need to deliberately and purposefully take steps towards imbedding a high performance culture in order to attract and retain the talent that will take the Corporation into the future.

Results from the employee engagement survey in 2004/05 provided the roadmap needed to improve employees' sense of passion and commitment to the goals of the company. Activities over the past year focused mainly on implementing change in leadership methods and culture. These activities included:

- creation of a formal and informal recognition program to align to values and behaviours and encourage the retention of talented staff;
- completion of a market survey and detailing of all positions within BCLC to provide the basis for developing a Total Rewards Strategy, including a new job evaluation system, ensuring alignment with pay for performance, market competitiveness and internal equity;
- implementation of a formal leadership development program for all leaders within the organization, providing them with the tools to inspire high performance through coaching and communicating with employees;
- improving performance management implementation to include more frequent formal conversations about goals, accountabilities and results, and to improve system metrics and functionality;
- and implementing new processes to foster innovation and player focus.

BCLC did not complete an employee engagement survey in fiscal 2005/06. A formal engagement survey is scheduled to be completed in fiscal 2006/07.

PERFORMANCE MEASURE DEFINITIONS AND METHODOLOGY

Performance Measure Tracking Systems

BCLC uses three main sources to track performance results. These sources include information provided by external auditors, information provided by independent research and consulting firms and, in limited cases, internal management information.

Revenue

This category measures BCLC's total revenues as reported in the audited consolidated financial statements.

Net Income

This category measures BCLC's net income as reported in the audited consolidated financial statements.

Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of revenues as reported in the audited consolidated financial statements. Operating costs do not include direct costs, other operating costs, amortization, other income, Integrated Illegal Gaming Enforcement Expenditures and GST.

Full Time Equivalents (FTEs)

This category measures the number of Full-time Equivalents employed with BCLC. FTEs are calculated by dividing the total number of regular hours worked by 1,920, the standard number of work hours in a year.

Player Participation

This category measures the gaming participation rate of adult British Columbians who have played a lottery game or visited a bingo or casino facility in the province at least once during the year. This information is obtained through a continuous tracking study completed by an external research company. Each year, 3,000 adult British Columbians are selected randomly and interviewed via telephone.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units.

Once a year, player interviews are conducted at casinos in British Columbia to gather their opinions about their casino player experiences. Respondents are selected randomly at the gaming venues and interviewed by an external research company.

Bingo player opinions are solicited in a slightly different manner. Randomly selected players at commercial bingo halls are asked to if they would like to participate in a survey. Those who agree are contacted by telephone and surveyed by an external research company.

Opinions of lottery players are gathered once a year through a continuous tracking study. Lottery players are selected randomly and interviewed via telephone by an external research company.

Public Support of Gaming

This category measures the percentage of adult British Columbians who have a positive perception of how gaming is conducted and managed in the province. In a continuous tracking study conducted by an external research company, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

Public Support of BCLC

This category measures the percentage of adult British Columbians who have a favourable impression of BCLC. In a continuous tracking study conducted by an external research company, respondents are asked if their impressions of BCLC are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adult British Columbians who agree that BCLC markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research company, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adult British Columbians who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research company, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

Employee Engagement

This category measures the overall engagement of BCLC employees. Employees are asked in an independent survey conducted by an external company to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL REPORTING

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with generally accepted accounting principles. The financial statements present fairly the financial position of British Columbia Lottery Corporation as at March 31, 2006, and the results of its operations and changes in its financial position for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and express an opinion of the financial statements of British Columbia Lottery Corporation.

Vic Poleschuk
President and CEO

Doug Penrose
Vice-President, Finance and Corporate Services

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2006 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Kamloops, Canada
April 21, 2006

CONSOLIDATED BALANCE SHEET

March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
ASSETS		
Cash and short-term investments (note 3)	$ 81,310	$ 111,359
Accounts receivable (note 4)	73,967	53,358
Prepaid expenses	7,504	6,424
Accrued pension plan asset (note 5)	6,646	5,989
Property, plant and equipment (note 6)	140,887	112,003
	$ 310,314	$ 289,133
LIABILITIES		
Prizes payable	$ 42,475	$ 32,300
Accounts payable and accrued liabilities	67,095	57,026
Accrued post-retirement benefit obligation (note 5)	23,451	19,446
Payable to Interprovincial Lottery Corporation	1,669	1,578
Due to Government of British Columbia	175,534	178,783
Commitments and contingencies (notes 12 and 13)		
	$ 310,314	$ 289,133

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Director

Kathy Stevenson
Director

Year ended March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
Revenue (note 7)	$ 2,260,706	$ 2,027,317
Direct expenses:		
Prizes	641,477	622,677
Commissions	483,665	409,439
Ticket printing and bingo paper	20,637	16,615
	1,145,779	1,048,731
Revenue less direct expenses	1,114,927	978,586
Operating expenses (note 16):		
Administrative expenses	102,159	95,271
Other operating costs (note 8)	1,002	1,789
Amortization	52,777	36,253
Interest and other expense (income)	1,945	(1,182)
	157,883	132,131
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	957,044	846,455
Integrated Illegal Gaming Enforcement Team expenses (note 9)	1,474	628
Goods and Services Tax expense	32,873	26,951
Net income	$ 922,697	$ 818,876
Allocation of net income:		
Government of British Columbia	$ 914,410	$ 810,844
Government of Canada (note 10)	8,287	8,032
	$ 922,697	$ 818,876

Sector activity information (note 16)

See accompanying notes to consolidated financial statements.

DUE TO GOVERNMENT OF BRITISH COLUMBIA

Year ended March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
Balance, beginning of year	$ 178,783	$ 70,416
Net income	922,697	818,876
	1,101,480	889,292
Payments to Government of British Columbia	917,659	702,477
Allocation of income to Government of Canada	8,287	8,032
	925,946	710,509
Due to Government of British Columbia	$ 175,534	$ 178,783

See accompanying notes to consolidated financial statements.

Year ended March 31, 2006, with comparative figures for 2005

(in thousands of dollars)	2006	2005
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Net income	$ 922,697	$ 818,876
Adjustments for:		
Amortization of property, plant and equipment	52,777	36,253
Loss (gain) on disposal of property, plant and equipment	426	(748)
	975,900	854,381
Changes in non-cash operating items:		
Increase in accounts receivable	(20,609)	(10,084)
Decrease (increase) in prepaid expenses	(1,080)	1,279
Increase in accrued pension plan asset	(657)	(724)
Increase (decrease) in prizes payable	10,175	(8,644)
Increase in accounts payable and accrued liabilities	10,069	2,237
Increase in accrued post-retirement benefit obligation	4,095	3,283
Increase (decrease) in payable to Interprovincial Lottery Corporation	91	(219)
	977,984	841,509
FINANCING:		
Payments to Government of British Columbia	(917,659)	(702,477)
Allocation of income to Government of Canada	(8,287)	(8,032)
	(925,946)	(710,509)
INVESTMENTS:		
Additions to property, plant and equipment	(82,880)	(93,450)
Proceeds on disposal of property, plant and equipment	793	1,048
	(82,087)	(92,402)
Increase (decrease) in cash and short-term investments	(30,049)	38,598
Cash and short-term investments, beginning of year	111,359	72,761
Cash and short-term investments, end of year	$ 81,310	$ 111,359

See accompanying notes to consolidated financial statements.

Years ended March 31, 2006 and 2005

(in thousands of dollars)

1. NATURE OF THE CORPORATION:

British Columbia Lottery Corporation ("BCLC") is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES:

(A) BASIS OF PRESENTATION:

(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.

(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation.

(B) SHORT-TERM INVESTMENTS

Short-term investments are valued at the lower of cost and market.

(C) PROPERTY, PLANT AND EQUIPMENT:

The Corporation's policy on capital purchases is that any major purchase that has a future useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

Asset	Rate
Corporate facilities and equipment	5 years
Corporate information systems	3 years
Lottery gaming systems and equipment	5 years
Casino gaming systems and equipment	3 years
Bingo gaming systems and equipment	3 years

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(D) EMPLOYEE FUTURE BENEFITS:

The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is being funded currently by employee and employer contributions.

The Corporation also sponsors post-retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on its best estimate.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) EMPLOYEE FUTURE BENEFITS (CONTINUED):

active members expected to receive benefits under the plan.

- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period ("EARSL") of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 13.9 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(E) REVENUE RECOGNITION:

Lottery games:

Revenue from the sale of lottery tickets and the associated selling costs and prize expenses are included in the statement of income in the period the ticket is sold.

Bingo games:

Revenue from the operation of paper, electronic, linked, and handheld bingo and the associated selling costs and prize expenses are included in the statement of income in the same period the game is played. Revenue from bingo slot machines is recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

Casinos:

Revenues from casino slot machines and table games are recorded in the statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the statement of income in the period they are incurred.

(F) PRIZE EXPENSES:

Lottery prize expenses are recorded based on the theoretical prize liability expected for each game. The actual expense incurred each year will vary from this estimate based on the nature of games of chance. Over a long period of time, it is expected that the actual prize expense will approximate the theoretical expense. Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(G) SOFTWARE DEVELOPMENT COSTS:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles, otherwise they are expensed as incurred.

(H) INCOME TAXES:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(I) ESTIMATES:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, prizes payable and expense, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

3. CASH AND SHORT-TERM INVESTMENTS:

The Corporation considers deposits in banks and short-term investments with original maturities of one year or less as cash and short-term investments. The Corporation's short-term investments are recorded at cost, which approximates current market value. The major components of cash and short-term investments are as follows:

	2006	2005
Cash (overdraft)	$ (2,568)	$ 5,233
Short-term investments with the British Columbia Investment Management Corporation	83,878	106,126
	$ 81,310	$ 111,359

Cash and short-term investments include an amount of $3,478 (2005 - $1,717) held in trust under the Casino Marketing Agency agreement.

4. ACCOUNTS RECEIVABLE:

	2006	2005
Trade accounts receivable:		
Lottery retailers	$ 21,030	$ 13,694
Casino service providers	13,060	8,592
Bingo service providers	2,025	1,826
	36,115	24,112
Casino cash floats	32,925	27,525
Other	4,927	1,721
Total accounts receivable	$ 73,967	$ 53,358

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

Other accounts receivable include $2.03 million receivable from the province for one-time incentive payments payable to BCLC employees under the Government's compensation negotiating framework. A corresponding amount is included in accounts payable and accrued liabilities.

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan (RPP) and a post-retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post-retirement Benefit Plans	
	2006	2005	**2006**	2005
ACCRUED BENEFIT OBLIGATION				
Balance at beginning of year	$ 62,570	**$ 54,378**	$ 32,189	**$ 25,286**
Current service cost	2,908	**2,616**	1,893	**1,541**
Interest cost	3,802	**3,625**	2,036	**1,735**
Employee contributions	1,508	**1,433**	–	**–**
Past service cost	–	**–**	(5,704)	**–**
Benefits paid	(3,142)	**(1,738)**	(429)	**(405)**
Actuarial loss	1,012	**2,256**	6,058	**4,032**
Balance at end of year	68,658	**62,570**	36,043	**32,189**
PLAN ASSETS				
Fair value at beginning of year	55,660	**47,917**	–	**–**
Actual return on plan assets	7,811	**4,179**	–	**–**
Employer contributions	3,992	**3,869**	429	**405**
Employee contributions	1,508	**1,433**	–	**–**
Benefits paid	(3,142)	**(1,738)**	(429)	**(405)**
Balance at end of year	65,829	**55,660**	–	**–**
Funded status - deficiency	(2,829)	**(6,910)**	(36,043)	**(32,189)**
Employer contributions after measurement date	–	**81**	–	**–**
Unamortized past service cost	879	**996**	(5,704)	**–**
Unamortized net actuarial loss	8,596	**11,822**	18,206	**12,743**
Accrued pension plan benefit asset (liability)	$ 6,646	**$ 5,989**	$ (23,541)	**$ (19,446)**

Plan assets by asset category:

	2006	2005
Equity securities	59%	**59%**
Debt securities	41%	**41%**
	100%	**100%**

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

5. EMPLOYEE FUTURE BENEFITS (CONTINUED):

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of March 31, 2003 by Mercer Human Resource Consulting, a firm of consulting actuaries. The next required valuation will be as of March 31, 2006, with results available in late 2006. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	Pension Plans		Post-retirement Benefit Plans	
	2006	2005	**2006**	2005
AT BEGINNING OF PERIOD:				
Discount rate	6.0%	**6.5%**	6.0%	**6.5%**
Expected rate of return on plan assets	7.0%	**7.0%**	–	–
Rate of compensation increase	4.0%	**4.5%**	–	–
Health care cost trend rate:				
2006/2007	–	–	7.02%	**6.82%**
Ultimate	–	–	4.50%	**4.49%**
Year ultimate reached	–	–	2013	**2012**
AT END OF PERIOD:				
Discount rate	5.5%	**6.0%**	5.5%	**6.0%**
Rate of compensation increase	3.0%	**4.0%**	–	–

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post-retirement Benefit Plans	
	2006	2005	**2006**	2005
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 2,908	**$ 2,616**	$ 1,893	**$ 1,541**
Interest cost	3,802	**3,625**	2,036	**1,735**
Plan amendment	–	**–**	–	**–**
Actual return on plan assets	(7,811)	**(4,179)**	–	**–**
Actuarial loss on accrued benefit obligation	1,012	**2,256**	6,058	**4,032**
(Negative) past service cost	–	**–**	(5,704)	**–**
Costs arising in the year	(89)	**4,318**	4,283	**7,308**
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	3,828	**672**	–	**–**
Actuarial gain	(602)	**(1,881)**	(5,463)	**(3,620)**
Plan amendment	117	**117**	–	**–**
(Negative) past service cost	–	**–**	5,704	**–**
Net benefit cost recognized	$ 3,254	**$ 3,226**	$ 4,524	**$ 3,688**

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

6. PROPERTY, PLANT AND EQUIPMENT:

	Cost	Accumulated amortization	2006 Net	2005 Net
Land	$ 700	$ –	$ 700	$ 700
Corporate facilities and equipment	27,649	24,465	3,184	2,434
Corporate information systems	23,572	18,705	4,867	6,400
Lottery gaming systems and equipment	89,025	45,791	43,234	31,703
Casino gaming systems and equipment	166,940	90,977	75,963	56,449
Bingo gaming systems and equipment	39,246	26,307	12,939	14,317
	$ 347,132	$ 206,245	$ 140,887	$ 112,003

7. REVENUE:

	2006	2005
LOTTERY:		
Keno	$ 231,619	$ 227,653
Scratch & Win	185,544	171,516
Lotto 6/49	211,059	201,129
Lotto Super 7	84,934	86,209
Pull Tab	77,774	83,575
Extra	57,126	57,386
BC/49	57,452	61,046
Sports Action	38,351	28,701
Living Large Lottery	(178)	6,488
Daily 3	3,602	4,077
Chaser	3,942	4,044
Special Event	3,631	6,156
PayDay	2,706	–
Racetrax	4,260	–
SportsFunder	5,519	–
Interactives	17	–
	967,358	937,980
BINGO:		
Bingo Paper	87,996	98,199
Electronic Bingo	70,508	69,647
Linked Bingo	11,001	9,993
Handheld Bingo	13,385	13,824
Bingo slot machines – net win	25,112	4,794
	208,002	196,457
CASINO – NET WIN:		
Slot machines	762,298	588,587
Table games	323,048	304,293
	1,085,346	892,880
Total revenue	$ 2,260,706	$ 2,027,317

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

8. OTHER OPERATING COSTS:

Other operating costs include expenditures that do not form part of the Corporation's normal operations. These expenditures include legal costs related to two major litigations and corporate restructuring costs.

9. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES:

In February 2003, based on direction from the provincial Government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by British Columbia Lottery Corporation pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works co-operatively with Gaming Policy and Enforcement Branch to provide a comprehensive and integrated approach to the investigation and enforcement of the *Criminal Code* as it relates to illegal gaming activities in British Columbia.

10. PAYMENTS TO GOVERNMENT OF CANADA:

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

11. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTEREST REVENUE:

The Corporation's share of the Interprovincial Lottery Corporation (ILC) prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other income.

12. COMMITMENTS:

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2007	$ 2,109
2008	1,909
2009	806
2010	554
2011	253

13. CONTINGENCIES:

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

14. RELATED PARTY TRANSACTIONS

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(CONTINUED)

Years ended March 31, 2006 and 2005

(in thousands of dollars)

15. FINANCIAL INSTRUMENTS:

The carrying values of cash and short-term investments, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short period to maturity of these items or because they are receivable or payable on demand.

16. SECTOR ACTIVITY INFORMATION:

Year ended March 31, 2006

	Lottery	Casino	Bingo	Consolidated
Revenue	$ 967,358	$1,085,346	$ 208,002	$ 2,260,706
DIRECT EXPENSES:				
Prizes	530,263	–	111,214	641,477
Commissions	64,754	369,879	49,032	483,665
Ticket printing and bingo paper	18,757	–	1,880	20,637
	613,774	369,879	162,126	1,145,779
Revenue less direct expenses	353,584	715,467	45,876	1,114,927
OPERATING EXPENSES:				
Administrative expenses	57,417	36,591	8,151	102,159
Other operating costs	339	612	51	1,002
Amortization	11,389	36,365	5,023	52,777
Interest and other expense (income)	(1,863)	2,794	1,014	1,945
	67,282	76,362	14,239	157,883
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	286,302	639,105	31,637	957,044
Integrated Illegal Gaming Enforcement Team expenses	398	989	87	1,474
Goods and Services Tax expense	12,747	16,474	3,652	32,873
Net income	$ 273,157	$ 621,642	$ 27,898	$ 922,697

(CONTINUED)

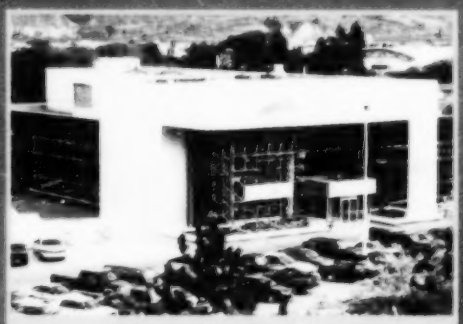
Years ended March 31, 2006 and 2005

(in thousands of dollars)

16. SECTOR ACTIVITY INFORMATION (CONTINUED):

Year ended March 31, 2005

	Lottery	Casino	Bingo	Consolidated
Revenue	$ 937,980	$ 892,880	$ 196,457	$ 2,027,317
DIRECT EXPENSES:				
Prizes	505,883	–	116,794	622,677
Commissions	60,653	307,292	41,494	409,439
Ticket printing and bingo paper	14,837	–	1,778	16,615
	581,373	307,292	160,066	1,048,731
Revenue less direct expenses	356,607	585,588	36,391	978,586
Operating expenses:				
Administrative expenses	55,810	32,370	7,091	95,271
Other operating costs	39	816	934	1,789
Amortization	7,155	24,690	4,408	36,253
Interest and other expense (income)	(3,368)	1,832	354	(1,182)
	59,636	59,708	12,787	132,131
Income before Integrated Illegal Gaming Enforcement Team expenses and Goods and Services Tax expense	296,971	525,880	23,604	846,455
Integrated Illegal Gaming Enforcement Team expenses	176	414	38	628
Goods and Services Tax expense	12,057	10,130	4,764	26,951
Net income	$ 284,738	$ 515,336	$ 18,802	$ 818,876



Head Office

74 West Seymour Street
Kamloops, BC V2C 1E2
Tel: (250) 828-5500
Fax: (250) 828-5631

Sales and Marketing Office

10760 Shellbridge Way
Richmond, BC V6X 3H1
Tel: (604) 270-0649
Fax: (604) 276-5424

Consumer Services

Tel: 1-866-815-0222
Email: consumerservices@bclc.com

BCLC 2006/07 – 2008/09 Service Plan is available at BCLC.com

British Columbia Partnership for Responsible Gambling
www.bcresponsiblegambling.ca

BRITISH COLUMBIA
The Best Place on Earth

Problem Gambling Help Line
1-888-795-6111